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23 JULY 1987



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# ***JPRS Report***

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# **China**

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JPRS-CAR-87-024

23 JULY 1987

## CHINA

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GUANGMING CALLS FOR POLITICAL STRUCTURAL REFORM

HK270042 Beijing GUANGMING RIBAO in Chinese 15 Jun 87 p 3

[Article by Wu Shuzhi [2976 2885 1615]: "New Theory on Separation of Party and Government"]

[Text] With the in-depth development of economic structural reform and the development of the socialist planned commodity economy in our country, it has become more and more urgently necessary to carry out political structural reform correspondingly.

Political structural reform is an adjustment of the relationship between the superstructure and the economic base, and it represents the self-improvement and self-development of our country's socialist system. Lenin pointed out: "We should have perished long ago but for the 'apparatus.' Unless we wage a systematic and persevering struggle to improve it we shall perish before we manage to lay the foundation of socialism." ("Collected Works of Lenin," vol 32, p 311) The socialist state apparatus must be improved through such a "systematic and persevering struggle." The purpose is to strengthen and improve the party's leadership, really realize socialist democracy, fully arouse the initiative of the masses, and bring the superiority of socialism into full play.

The political structural reform covers a wide scope and many different things, and separation of party and government will be a major part of this reform and a key issue in this reform. Separation of party and government has been proposed in view of the defects in China's political setup of "lack of separation of party and government" and "replacement of the government by the party" and phenomena such as "the party monopolizing everything" and "interfering in everything." The reforms must precisely eliminate these defects and phenomena, rationalize relations between the party and the government, and solve the issues of how the party exercises leadership and how to strengthen and improve the party's leadership. In the course of reform, how to correctly understand the separation of party and government is an important question. The so-called separation of party and government certainly does not mean that the party and government should be divided up and live apart, or that powers should be redistributed, with some departments being subject to the management of the party and others being subject to the management of the government so as to cut off the close and organic connections between party and government and turn separation into separate

management, still less that the party and government should "sit as equals at the same table" with "equal shares of power" so as to weaken or even cancel the party's leadership. Instead, what separation of party and government does mean is to draw a line of distinction between party and government responsibilities and separating party and government functions so that the party can exercise democratic and scientific leadership over government work. Therefore, after separation of party and government is fulfilled, the party's leading position in the state life will certainly be stabilized and consolidated, and the leadership functions will change in light of the requirements of the development of socialist modernization construction.

First, we must, from theory to practice and from system to viewpoint, change the ideas and methods in which party leadership over everything means "monopolizing everything" or "holding contracted responsibility for everything." Under the socialist conditions in our country, generally speaking, it is correct to say that the party exercises leadership over everything, and this should be firmly upheld. However, the party cannot really look after every concrete thing. The party should only handle party affairs, and should not directly handle administrative affairs. The party should use its correct line, principles, and policies to guide government administration from a strategic high plain; and the government should exercise management along the course charted by the party. Mr Sun Yat-sen said that "Politics means the management of the state." State management should be conducted by the government rather than by a political party. Of course, the party's policies should be implemented through some influential party members with high prestige who work in the government organs. That is to say, separation of party and government is obviously not equal to separate management. In fact, it means the clear separation of the party's leadership from the government's administrative management and that of the party's leadership work from the government's management work. The party should not excessively interfere in administrative management, and this is favorable to strengthening and improving the party's leadership. Comrade Deng Xiaoping pointed out: the party should hold the leading position, but "the party must not substitute itself for all other organizations and monopolize everything." ("Selected Works of Deng Xiaoping" p 234) In principle, party organizations at various levels should let government and professional organizations handle all routine administrative and business affairs, and the party leading organs should just be responsible for formulating and implementing principles and policies, deciding the appointment of principal cadres, and should devote more time and energy to do ideological and political work and mass work. Excessive interference may just lead to the weakening of the party's leadership.

Second, we should know that the party's leadership function is different from the government's function, and these two concepts must not be lumped together. Undoubtedly, the ruling party should exercise leadership, but it is not a power organ and cannot represent the political power. The so-called separation of party and government is to clearly divide the party's leadership functions from the government's administrative functions, and the former should not be equated to the latter or be mingled with the latter. The General Program of the CPC Constitution stipulates that "the party must

conduct its activities within the limits permitted by the Constitution and the laws of the state." That is to say, the party has no power to go beyond the limits permitted by the Constitution and the laws of the state, and cannot replace state owned organs, administrative and judicial organs, or override these organs to conduct any activates. Under the conditions of lack of separation of party and government and replacement of the government by the party, the party's leadership functions are often mixed up with the functions of the state organs and administrative organs. The division of such functions seem to be an issue concerning the division of work, but in fact this is a principled issue. Only by solving the issue of dividing the functions and clearly specifying what the party should look after and what the government should take charge of can we ensure that the use of the party's power is subject to the limitations of the laws. Practice shows that there should be checks and balances on all power, and that power without being subject to any checks and balances will decay if it goes on that way. So it is necessary to prevent the appearance of any privileged power which can override the law and the state, and to prevent the party from becoming a power organ and from being contaminated with bureaucratism. This will help correctly ensure the ruling party's leading role.

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CSO: 4005/802

HIGH-RANKING PERSONNEL RESHUFFLE

Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 208, May 87 pp 35-37

[Article by Qi Xin [7871 6580]: "Speculation Rife about Future General Secretary and Premier"]

[Text] When he met with the entire Hong Kong Basic Law Drafting Committee on 16 April, Deng Xiaoping said, referring to Zhao Ziyang, "He is now our general secretary as well as premier. One position must be vacated at the 13th National Party Congress [NPC]. On the whole, the general secretaryship is probably more important."

Deng Xiaoping's words can be said to have tentatively summed up the speculation raging at home and abroad since Hu Yaobang's ouster about the identity of the future general secretary and premier. In effect he was hinting that Zhao Ziyang would be both acting general secretary and premier until the 13th NPC this fall, when the latter would formally assume the general secretaryship and give up the premiership.

As for candidates for the premiership, judging from the fact that Li Peng [2621 7720] sat at the middle when he and two other vice premiers, Yao Yilin [1202 0181 2651] and Tian Jiyun [3944 4764 0061] met with Hong Kong and Macao reporters while the National People's Congress and the Chinese People's Political Consultative Conference [CPPCC] were in session, he is the odds-on favorite to succeed Zhao Ziyang as premier.

On 15 April, a Foreign Ministry spokesman announced that Vice Premier Yao Yilin had replaced Li Peng, who is chairman of the Sino-Soviet economic, trade, scientific, and technical cooperation committee on the Chinese side, as head of the delegation to Moscow to attend the second round of Sino-Soviet economic and trade talks, the reason being that "Vice Premier Li Peng will stay home because of the demands of domestic work."

This arrangement has two implications. One, although the Foreign Ministry spokesman said that Li Peng would remain chairman of the Sino-Soviet economic and trade committee on the Chinese side, dealings with the Soviet Union in the future will very likely be handled by another vice premier in order to play down his "Soviet" connection. Two, Li Peng is being groomed to take over Zhao

Ziyang's responsibilities. The idea is to let him be the vice premier in charge of day-to-day affairs first and stand in for Zhao Ziyang in some minor functions.

### Three Debates Over Personnel Changes

There are three major debates in the CPC's higher echelons over choosing the future general secretary and premier.

Debate 1: Should young cadres be selected or should there be a combination of elderly, middle-aged, and young cadres?

Ever since the revolutionary old guard proved instrumental in bringing about Hu Yaobang's downfall, a "central joint conference" has come into existence and "eight elders are running the country." In particular, the preparatory committee for the 13th NPC, headed by Bo Yibo [5631 0001 3134] has gotten down to work. Most veteran revolutionaries are riding high. Li Xiannian said that he is still in good shape physically and that "the waves behind do not drive on those before." Peng Zhen suggested that "a little experience is always necessary when you are dealing with complex things. People who are too young probably cannot handle them. There should be a mixture of elderly, middle-aged, and young cadres. The former can pass on experience to the latter. That kind of succession is more stable and reliable." A few members of the old guard who have been kicked upstairs to the Central Advisory Commission have also shown signs of returning to center stage. Bo Yibo, for instance, who heads the preparatory committee for the 13th NPC, said in Tianjin on 13 February, "All elderly cadres should not be treated alike." "A variety of ways should be used to make the most of elderly comrades. There should be a combination of old, young, and middle-aged cadres." All this shows that the old guard is itching to have a go under the present circumstances.

What are the "present circumstances?" Specifically, Hu Yaobang has fallen from power and Hu Qili [5170 0796 4539] and Wang Zhaoguo [3769 0340 0248], both Hu Yaobang's hand-picked successors on the secretariat, are in trouble to different degrees. Hu Qili has been replaced as secretary in charge of day-to-day affairs, as has Wang Zhaoguo as director of the office of the CPC Central Committee. Most veteran revolutionaries believe that "people who are too young probably cannot do a good job." Thus if Zhao Ziyang continues as premier, to whom will the general secretaryship go? The several candidates whose names have been circulating in Beijing in the last few months--first Xi Zhongxun [5045 0112 0534], then Deng Liqun [6772 0500 5028] and Bo Yibo, and even Deng Xiaoping--are all octogenarians.

Xi Zhongxun is marginally competent and often seems muddle-headed. The idea of Deng Liqun or Bo Yibo becoming general secretary is ridiculed by some Beijing cadres as an "Indian summer." As for Deng Xiaoping, while he is not genuinely interested in retirement, he has talked about it for years, so it would now be awkward for him to take on more substantive work.

Meeting with foreign visitors in March, Deng Xiaoping said, "The pace of filling the ranks of cadres with young people cannot slow down." This is inconsistent with Peng Zhen or Bo Yibo's idea of mixing elderly with young and

middle-aged cadres. Does this effectively rule out the possibility of an elderly person becoming general secretary or premier?

Debate 2: Which position should Zhao Ziyang give up?

Zhao Ziyang must give up one of the two top posts. Chatting with reporters before meeting with the Swedish prime minister on 4 April, he said that he enjoys being premier. Presumably he has indicated likewise at higher levels within the CPC.

Another point is that Zhao Ziyang has consistently refused to get involved in ideological matters over the last few years. During the anti-spiritual pollution campaign in 1983, he noted that "the tendency toward bourgeois liberalization does not exist in the economic arena." Officials in charge of culture in Beijing all know that Zhao Ziyang seldom watches movies, except when he has to accompany foreign guests. He has never expressed an opinion on arts, literature, the press, or other ideological matters. How then can he be the right person to serve as general secretary and take command of the entire party's political and ideological work?

As a matter of fact, since he became acting general secretary, Zhao Ziyang has had an extremely rough time trying to walk a political fine line. He recently appeared on television, sporting a lot more white hair and looking considerably older and more tired than a few months ago. Clearly this is the result of his having to deal with the various vexing problems in the ideological realm. On the other hand, noting the way he handled the "anti-bourgeois liberalization" campaign in the last few months, most cadres and intellectuals on balance would like to see him become general secretary. Many people in Beijing believe that it is much better to have a general secretary who is not too interested in ideology than an ideologue, especially one wedded to his ideology.

Debate 3: What would be the effect on cadres and intellectuals in China? What would be the impact overseas?

Most people think that Zhao Ziyang becoming party general secretary would help check "left" intervention and the proliferation of the "anti-bourgeois liberalization" movement, whereas the selection of any of the other candidates will make people worry about the stability of the situation.

The continuation of Zhao Ziyang as general secretary and the appointment of one of the current vice premiers as premier would signal policy continuity to people at home and abroad. Among the several vice premiers, Wan Li, the present vice premier in charge of day-to-day affairs, is best qualified, but he is a little too old. As for the younger Li Peng, the original designated successor, he has proved acceptable to all factions in his work for some time now. Moreover, he is the son of a cadre. The fact that he lived in the Soviet Union may make the United States a little sensitive, but time will take care of that. To make Li Peng premier is a sign of stability to the nation and the world.

## Trial of Strength between Zhao Ziyang and Deng Liqun

Both Deng Xiaoping's talk and recent personnel changes suggest that the most likely scenario is for Zhao Ziyang to take up the general secretaryship and for Li Peng to become prime minister. However, this is far from cut and dry. It may very well be that Deng Xiaoping was taking aim at the endless arguments in the party's top levels over succession when he said what he did in a conversation with foreigners in April, his purpose being to influence the direction opinion is leaning and silence the debate.

Reports suggest that since becoming acting general secretary, Zhao Ziyang has clashed sharply with Hu Qiaomu [5170 0829 2606] and Deng Liqun, who have replaced Hu Qili and Wang Zhaoguo to head the theoretical group that handles the "anti-bourgeois liberalization" campaign.

One clash has to do with the impact of the campaign on the economy. At the national meeting for propaganda department chiefs convened by the Central Propaganda Department in mid-March, Zhao Ziyang took pains to explain what Deng Xiaoping meant when the latter said that the "anti-bourgeois liberalization" campaign is a long-term affair," doing his best to weave the campaign into long-term persuasive education. Deng Liqun interrupted him and said, "Nowadays it is said that you invite criticism when you talk about capitalism, but you escape criticism when you practice capitalism." This was a reference to the reform measures in the economic field. Zhao Ziyang shot back immediately, "What is socialism? What is capitalism? Have we sorted them out?" He stressed, "Today's reforms are socialism with Chinese characteristics," adding, "I get really sensitive when people point to this or that in the economy and call it liberalization." Since most revolutionary elders, particularly Deng Xiaoping, set great store by economic issues, Zhao Ziyang's resistance to the "anti-liberalization" movement in the economic arena is actually his trump card in the power struggle.

An even more bitter conflict occurred over personnel arrangements in ideological work. Although Hu Qiaomu and Deng Liqun head the theoretical group in the secretariat, both are very old, so there is a need for people who can actually take charge of the writing team and draft CPC documents. As for how Beijing's three major newspapers--RENMIN RIBAO, GUANGMING RIBAO, and BEIJING RIBAO--should shape public opinion in the "anti-bourgeois liberalization" campaign, that too is a major point in propaganda work.

Judging from their behavior since the campaign began, RENMIN RIBAO is best at implementing policies and takes a relatively low-key approach toward the campaign. On the other hand, GUANGMING RIBAO and BEIJING RIBAO are much more aggressive, rather reminiscent of the "carry-the-big-stick" style of the Cultural Revolution. To various extents the leaders of all three newspapers have been "given important positions." Du Daozheng [2629 1418 2973], editor of GUANGMING RIBAO, is director of the State Administration of News and Publications. Xu Weicheng [1776 1919 6134], editor of BEIJING RIBAO, sits on the "central leading group on the rectification of the press and theoretical contingent." It was all Hu Qiaomu's and Deng Liqun's idea to put these two men in important positions. Most important, however, is the fact that Zhao Ziyang put Qian Liren [6929 2621 0088], RENMIN RIBAO's publisher, on the

three-member Central Committee documents drafting committee, the other two members being Wang Renzhi [3769 1804 0037] and Wang Daming [3769 1129 2494], director and deputy director, respectively, of the Central Propaganda Department. Neither Du Daozheng nor Xu Weicheng is included. The three-member group has a fairly high status, its duty in effect being the realization of CPC Central Committee policies. Qian Liren's membership on the committee underlines Zhao Ziyang's endorsement of RENMIN RIBAO's conduct in the "anti-bourgeois liberalization" campaign.

### The Xu Weicheng Incident

The most heated argument in the personnel debate concerns Xu Weicheng. During the Cultural Revolution, Xu Weicheng followed the "gang of four" every step of the way in its ultra-left activities. A master at self-promotion and flattery, he is currently deputy secretary of the Beijing municipal CPC committee as well as editor-in-chief of BEIJING RIBAO. After Beijing University students burned copies of BEIJING RIBAO early this year, Xu Weicheng put together an editorial saying that since students burned his newspaper, it must have done something right. Afterward, Deng Liqun suggested that Xu Weicheng overreacted in the student troubles. Zhao Ziyang, however, argued that Xu Weicheng should not have acted the way he did at all. Later Xu Weicheng became a member of the "central leading group on the rectification of the press and the theoretical contingent" and zealously gathered some writers' comments on Liu Binyan [0491 6333 7159], the author, and prohibited Beijing University students from electing Fang Lizhi [2455 0536 0037] as delegate to the National People's Congress for Haiding district. He also suggested in BEIJING RIBAO that people must "prepare at all times to counterattack bourgeois liberalization elements." His "anti-bourgeois liberalization" rhetoric threatened to go beyond policy limits.

The Central Propaganda Department was immensely powerful at the beginning. During Hu Yaobang's tenure as general secretary, however, the secretariat often assumed direct responsibility for artistic and literary work its power was briefly diminished. After Zhao Ziyang took up the acting general secretaryship, it was made clear that the rectification of mass media, including artistic and literary work, should be overseen by the Propaganda Department, which therefore became busy once again. Hu Qiaomu and Deng Liqun, the two scholars in the Politburo and secretariat, wanted to promote Xu Weicheng to be deputy director of the Central Propaganda Department, a move to which most revolutionary elders had given their consent. At this juncture, however, Wu Xiuquan [0124 0208 2938], (now a member of the Central Advisory Commission), who served as leader of the selection committee after the fall of the "gang of four," wrote a letter to the Politburo, saying that the selection committee had concluded in the past that Xu Weicheng "cannot be entrusted with a key position," and asked, "Does this conclusion not count today?" After receiving the letter, the "central joint conference" put Xu Weicheng's promotion on hold.

The Xu Weicheng incident can be said to be a big victory in Zhao Ziyang's confrontation with the conservatives.

## The National People's Congress and CPPCC: A Boost for Zhao Ziyang

In his struggle with the conservatives, Zhao Ziyang is hurt by the following: one is that most veteran revolutionaries on the central joint committee are ideologically fossilized; the other is Deng Xiaoping's excellent personal relations with ideologues like Deng Liqun and Hu Qiaomu. He is helped by the fact that the CPC was scheduled to stage several major events in mid-April--the convening of the National People's Congress and the CPPCC and that he is young and the person to rely on in economic and diplomatic work.

To the Chinese Communists, the National People's Congress and CPPCC have tremendous foreign propaganda and united front significance because of the presence of throngs of Hong Kong and Macao reporters covering the events and the gathering of foreign journalists. The CPC has always targeted propaganda at the outside world and takes the united front very seriously. Particularly where they impact Hong Kong and Taiwan, such tasks may well take precedence over any internal work.

The central joint conference held several meetings to make preparations for the convening of the National People's Congress and CPPCC, with Deng Xiaoping personally in charge.

First came investigations and research, during which public opinion in Hong Kong and Taiwan on the "anti-bourgeois liberalization" campaign and the effects of the campaign in those places and even the world were all analyzed by the proper personnel. While the report watered down overseas concern and criticism somewhat, the probe revealed enough to make the CPC sit up and take notice.

Second, drawing up a propaganda and united front strategy for the duration of the National People's Congress and CPPCC meetings. The appearance of Hu Yaobang at the opening ceremony and the separate meetings of the three vice premiers, officials from the Foreign and Defense Ministries, writers, intellectuals, as well as Zhao Ziyang and Peng Zhen, with Hong Kong and Macao reporters--all that was carefully orchestrated. The idea was to give the outside world an impression of openness without, however, overstepping the policy limits set by central documents.

There were two other decisions. First, no personnel changes should be made at the conferences if at all possible. If people like Wang Meng [3769 5536], the minister of culture, were dismissed at this point in time, there were bound to be particularly sharp domestic and international repercussions. The other decision is to call a party members' conference before the formal opening of the National People's Congress and CPPCC to encourage delegates to the two meetings to speak up as much as possible and not remain utterly silent as they do at "anti-bourgeois liberalization" study meetings. Needless to say, they must uphold the four cardinal principles when they speak, but are otherwise free to make all sorts of criticisms, cast negative votes, and abstain. This kind of advance planning made the National People's Congress and CPPCC more lively than expected.

Even more important, the virtual absence of personnel changes and the creation of a lively atmosphere were effectively a shot in the arm for Zhao Ziyang.

After the National People's Congress and CPPCC, Zhao Ziyang's power can be said to have been consolidated. As for Deng Xiaoping, he too has clearly moved from siding with the old-guard revolutionaries in opposition to Hu Yaobang to siding with Zhao Ziyang to continue to support reform, the open policy, and the appointment of younger cadres. It is on this basis that he came to a preliminary decision regarding the choice of a future general secretary and premier.

Certainly, as far as the future lineup of top leadership is concerned, the dust has barely settled. In a gerontocracy, politics is influenced by numerous fortuitous factors, particularly when there are personnel changes at various levels in addition to those at the top. There will probably be endless debate right up to the 13th NPC.

12581  
CSO: 4005/707

**ADMINISTRATIVE CONFERENCE DISCUSSES OVERSTAFFING**

OW181045 Beijing Domestic Service in Mandarin 2130 GMT 23 Jun 87

[Text] A national conference on administrative and financial work, which ended on 23 June, stressed: Only by taking action in curbing the overstaffing and overlapping of government offices will it be possible to effectively control the administrative expenditures this year. Of the administrative expenditures, personnel spending has continuously increased in recent years. Personnel spending accounted for 55 percent of the 1986 total administrative expenditure which increased as compared with that for 1983. The main reason for this is the overstaffing and overlapping of government offices.

It is learned that the party Central Committee and the State Council in 1985 set the requirements for curbing the overstaffing and overlapping of government offices and that relevant regulations have been laid down long before. However, the overstaffing and overlapping of government offices have not yet been brought under control. Many departments at the central and local levels are overstaffed, some of them to a serious extent.

According to authoritative sources, in order not to cause even greater difficulties for the future reform of the political structure, financial departments at all levels, in close coordination with planning and personnel departments, should strictly control the establishment of new offices and the increase of personnel. Without the approval of the State Council, no new office should be set up, nor should new people be employed this year. Vigorous efforts should be made to solve the problem of overstaffing to reduce administrative expenditures this year.

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CSO: 4005/802

ZHOU NAN DISCUSSES TERRORISM CONVENTION

OW190422 Beijing XINHUA Domestic Service in Chinese 1331 GMT 18 Jun 87

[Text] Beijing, 18 Jun (XINHUA)--The State Council submitted to the NPC Standing Committee a proposal for our country to join the "Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Envoys" to effectively prevent and check terrorist activities. Premier Zhao Ziyang said in the proposal that entering into the convention would be conducive to protecting our country's concerned personnel and organizations. He also suggested that a statement of reservation be made regarding Clause 1 of the convention's Article 13 when participating in the convention.

Entrusted by the Stated Council, Vice Foreign Minister Zhou Nan gave an explanation on this at the 21st meeting of the 6th NPC Standing Committee this afternoon.

He said: The convention was drafted by the UN International Law Committee in accordance with relevant resolutions of the UN General Assembly, adopted by the 28th UN General Assembly on 14 December 1973, and went into effect as of 20 February 1977. By the end of 1986, 68 countries had ratified and entered into the convention.

Zhou Nan said: The convention is a multilateral international treaty governing the protection of heads of state and government, diplomatic envoys, and other internationally protected persons and the punishment of crimes against the above personnel. The convention was drafted as international terrorism, especially terrorist activities against diplomatic missions and personnel and other internationally protected persons, has rapidly intensified. Such terrorist activities not only threaten the personal safety and freedom of the above personnel but prevents them from efficiently carrying out their official duties. These activities also threaten normal international relations as well as world peace and stability. The convention stipulates the protection of internationally protected persons and the punishment of crimes against those persons, and this accords with the interests and demands of most countries. Our country entered into both the 1963 "Vienna Convention on Diplomatic Relations" and the "Vienna Convention on Consular Relations." Although these two conventions stipulate in principle the protection of diplomatic and other concerned personnel, they fail to link the inviolability of those personnel with state obligations in protecting

them. They particularly lack concrete measures for the prevention and punishment of crimes against such persons. This convention remedies such weaknesses. The main provisions of this convention were drafted according to the "Convention on the Prevention of Illegal Hijacking of Aircraft" and the "Convention on the Prevention of Crimes Jeopardizing the Safety of Civil Aviation" (we entered into both of them). It particularly stresses the establishment of general jurisdiction over such crimes as well as cooperation among the signatories in prosecuting or extraditing those who commit such crimes. These provisions are conducive to maintaining international peace and stability, promoting and developing friendly relations and cooperation among countries, preventing and stopping international terrorist activities, guaranteeing the personal safety and freedom of internationally protected persons, and enabling them to efficiently perform their official duties.

He pointed out: With the intensification of international terrorist activities, diplomatic missions and personnel have been repeatedly attacked. Opposition to such terrorist activities has greatly increased. Now more and more people all over the world are calling for strengthening international cooperation to halt terrorism. The UN General Assembly has adopted various resolutions calling on countries to participate in various international conventions against terrorism, including this very convention. Our country takes a consistent stand against terrorism in any form, and the goal of this convention is in line with our country's position on this issue. Entering into this convention is conducive to our diplomatic struggle on this issue. In addition, with the continuing development of our foreign relations, our party, government, and army leaders visit many foreign countries. Therefore, there is a considerable increase in the number of our diplomatic missions and personnel abroad. The safety and protection of such diplomatic missions and personnel hinges on cooperation between our country and countries to which they are assigned. Participating in this convention also helps protect our diplomatic missions and personnel.

Zhou Nan said: For the above reasons, I suggest that our country participate in this convention. Meanwhile, two questions should be explained here. In accordance with Clause 2 of Article 3 and Article 7 of the convention, a signatory should exercise judicial jurisdiction over a criminal within its territory no matter where he has committed crimes. Thus, our country will have the obligation to exercise jurisdiction over a foreigner within our territory who commits crimes or is suspected of committing crimes outside China, as stated in the convention, against internationally protected persons of another country. However, this does not lessen the scope of application of our criminal law. In view of the fact that all relevant international treaties in which our country has participated or is considering participation have such a problem, the State Council has made a separate proposal that the NPC Standing Committee decide to let the PRC exercise criminal jurisdiction over crimes as stated in international treaties which our country has concluded or joined, in order to solve this problem. 2. Clause 1 of Article 13 of the convention stipulates that disputes over the explanation and application of the convention among signatory states should be arbitrated at the demand of one of the concerned side when a solution cannot be reached

through negotiation. It also stipulates that one of the two sides can turn the dispute over to the international court of justice if they fail to agree on the arbitration. The convention permits a signatory state to state its reservations about the above stipulations when signing, ratifying, or participating in the convention. In line with our country's consistent stand, it is suggested that our country state its reservations about Clause 1 of Article 13 of the convention when participating in it.

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CSO: 4005/802

## SIGNIFICANCE OF ESTABLISHING STATE MINISTRY OF SUPERVISION

Shanghai SHIJIE JINGJI DAOBAO in Chinese 15 Dec 86 p 8

[Commentary: "Filling a Gap in China's Administrative Structure; The Significance of Establishing a State Ministry of Supervision"]

[Text] On the 2 December, the 18th Session of the 6th NPC Standing Committee decided to establish a PRC Ministry of Supervision, on the suggestion of the State Council. This shows a good beginning in China's effort to perfect its organizational system of administrative supervision.

In the early days of the PRC, the State Council had set up a people's supervisory committee, which, in September 1954, was converted into a Ministry of Supervision. These two organs had done much work, such as implementing state policies and decrees, upholding state discipline, protecting state property, and supervising the administrative organs of the state, state-run enterprises, joint public-private enterprises, and cooperative societies. However, for a number of different reasons, the Ministry of Supervision was abolished in April 1959. In order to supervise the state's administrative organs and the performance of duties by their personnel, as well as of the work of cadres appointed by state organs to leading positions in enterprises and industrial units under the system of public ownership, to ensure the effective implementation of the state's policies, laws, and administrative rules and regulations, and to ensure the smooth progress of the overall reform and of the four modernizations, the state Ministry of Supervision has now been reinstated, with the additional setting up of various local supervisory organs. Establishing a system of administrative supervision is extremely important and significant.

First, it is an important measure to complete China's administrative system. In China, activities by all state organs, organizations, and individuals must be within the scope of the constitution and of the laws, and furthermore observe certain rules, regulations, and discipline. Acts violating law or discipline should all be prosecuted. At present, violations of party discipline will be dealt with by the party's discipline inspection commission, violations of criminal law will be dealt with by the public security, procuratorial, and judicial organs, only for violations of political discipline there is no special organ with supervisory functions. We have to admit that this is a deficiency. The establishment of the state Ministry for

Supervision remedies the defect and renders China's administrative organization more perfect and complete.

Second, establishing the system of administrative supervision will exercise supervision over, and spur on all state organs and their personnel to scrupulously observe their responsibilities and overcome bureaucracy. In all the 27 years after 1959, it was due to the absence of administrative supervision that there has been a lack of effective supervision in China's administrative organs and over their personnel with respect to the observation and implementation of state policies, laws, and regulations, that political discipline slackened, and that administrative efficiency declined. With the establishment of an administrative supervisory organ, organizational guarantees will be provided for the implementation of state policies, laws, and regulations by the state's administrative organs and their personnel, as well as by cadres appointed by the state's administrative organs to leading positions in enterprises and industrial units under the system of public ownership. Through its administrative supervisory functions, the state can accomplish prompt correction of violations of political discipline, and thereby ensure a more effective operation of the state machinery, ensure that the state's personnel is uncorrupted, upright, honest, and clearheaded, and that they will loyally fulfill their duties.

Third, establishment of the system of administrative supervision will be beneficial for the protection of the legitimate rights and interests of the citizens. China's constitution prescribes: "Citizens of the PRC have the right to express criticism or opinions with regard to any state organ or personnel working in state organs; in case of law violations or dereliction of duty in any state organ or by any state employee, citizens have the right to submit complaints, accusations, and denunciations to the relevant state organs..." "The relevant state organs must investigate the circumstances, establish responsibilities, and take proper action in cases of complaints, accusations, or denunciation by citizens." However, due to defects in the organizational system, these rights, which the constitution grants the citizens, have not been fully implemented. Some citizens who had submitted complaints, accusations, or denunciations of law violations or derelictions of duty in state organs or by their personnel, not only failed to obtain prompt action according to law, but, on the contrary, invited attacks and retaliation against themselves. Some citizens suffered infringements on their personal legitimate rights and interests by personnel of state organs, but because they could not obtain prompt redress, their rushing hither and thither, complaining in all directions, caused them great economic and mental suffering, and, besides, added to the difficulties of the leadership organs. After establishment of the system of administrative supervision, the legitimate rights and interests granted the citizens by the constitution will be additional guaranteed. -

Perfecting China's system of administrative supervision will still require much work, such as setting up as soon as possible local administrative supervisory organizations at all levels, determining rules and regulations governing administrative supervisory work and the procedure for handling cases, etc., thus gradually setting up a perfect administrative supervisory system suited to China's national condition.

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CSO: 4005/351

UPDATE ON MA DING

Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 172, Jan 87 pp 44-45

[Article by Lu Wen [6424 3080]: "Present Circumstances of Ma Ding"]

[Text] Ma Ding Passes TOEFL [Test of English as a Foreign Language]

The "Ma Ding incident," which at one time had attracted so much attention in China and abroad, has not been heard of for quite some time now. How is the main figure of this case, Ma Ding, doing these days? Our readers may perhaps still be interested to know.

As reported earlier in the Hong Kong press, Ma Ding, whose real name is Song Longxiang [1345 7893 4382], is a young instructor in the philosophy department of Nanjing University. According to recent news from Nanjing, he has been hard at work studying English during the 1986 summer vacation. Not so long ago he took the TOEFL and GRE [Graduate Record Examination] tests, and is now awaiting announcement of results.

Speaking of this case, people find it hard to believe that this man, who signed his article "Ten Major Shifts in China's Current Economics Research," an article, which when published in Tokyo, New York, and mainland periodicals, had aroused a virtual storm, though of not too large or too small stature, and who is the main figure in all this, Song Longxiang, was, contrary to what one would assume, completely unaware of the fact that at that time some people were ready to label him an "advanced spiritual polluter" and were preparing to prosecute and punish him, Ma Ding, was a "scholar of economics," who nobody really knew where he had suddenly emerged from. He himself was as usual quietly teaching class and studying at Nanjing. Only after the storm had passed and the clouds vanished, did he become aware that he had nearly become the target of serious criticism by certain quarters.

"What Kind of an Economics Scholar Am I!"

Song Longxiang was completely perplexed by the highly unexpected fate of his article. "What kind of an economics scholar am I!" he amusingly told people more than once. That is a fact. Song Longxiang was born in 1957 to a peasant family in Yancheng County, Jiangsu Province. After graduating from senior middle school in 1974, he returned to the countryside and worked on the land.

In 1977, when institutions of higher learning recruited students after the conclusion of the "cultural revolution," he passed the entrance examination at Nanjing University. After graduating from its philosophy department, he joined a postgraduate research group. In 1984 he earned his master's degree and remained at the university as instructor. Economic research was not really his actual line of specialization, he merely maintained an interest in economics studies, devoted some of his spare time to it, and audited some of the economics classes.

He spent a whole 2 months on writing the article "Ten Major Shifts in China's Current Economics Research." After having collected much material and formed certain ideas on the subject, he finally, from July to September of 1985, devoted all his energy on writing this long article of over 10,000 characters. Once the manuscript was ready, he was of course keen to see it published. He sent the article to the GONGREN RIBAO [WORKERS' DAILY] in Beijing. The young editor of that paper, Xu Jingchun [1776 2529 2504], was a good friend of his.

#### Ma Ding: Expressing His Feelings Toward "Her"

#### Why did he sign the article "Ma Ding"?

There is a small story to that: He once went with friends to see a movie. The main characters in the American movie were a couple of young lovers, and the man's name was Martin. After the show, some friends for fun called him "Ma Ding," and for a while they had great fun doing so. This is a small matter that happens frequently among youngsters and is soon forgotten. But it suddenly came back to him when he was about to sign the article, and thus the author of the article became "Ma Ding." Perhaps he meant to signify a certain deep-felt affection for "her".

After some abridgment and the author's revision, the article was published over a full page in the 2 November 1985 issue of the GONGREN RIBAO to the great delight of Song Longxiang. Any young person would feel equally delighted to see his own writing appear in print for the first time. Song Longxiang never thought of what effect the article may have in academic circles. As far as he was concerned it was his first effort and he was fully satisfied by the mere fact that it achieved publication.

Later, translations of the article appeared in the Japanese and English editions of the BEIJING ZHOUBAO [BEIJING REVIEW]. The Beijing correspondent of Jiji Press of Japan reported on the article, and this report was printed by Tokyo's YOMIURI SHIMBUN. Based on the YOMIURI report, ZHONG BAO of New York brought out an editorial "Let Us Hope that Economics Circles on the Chinese Mainland Will Be Eclectic in Their Utilitarian Ways of Thinking and Wary About a Workstyle of Taking Larger Bites of Foreign Stuff Than Able to Digest." Song Longxiang was completely oblivious of this tortuous and odd course events had taken.

#### A Tortuous, Odd, and Alarmingly Dangerous Course of Events

After all this had happened, two camps of opposing viewpoints had invisibly formed in the mainland press and among mainland academic circles on the topic

of this article. Basing their opinion on the editorial in the New York ZHONG BAO, some regarded the publication of Ma Ding's article a challenge to the "strong vitality of Marxist economic doctrine," therefore called on all people to take a stand against it and fight it. It was an explosive situation, to which Song Longxiang had also been completely oblivious.

Recalling the situation at that time, one writer on the Chinese mainland wrote in his notebook: "Ma Ding is teaching as before, and all of Nanjing University is quiet throughout; it is like the still in the eye of a typhoon."

This situation appears strange, and yet also not strange. Certain apologists will always cry out in alarm that there is "pollution," and clamor for the need of a "purge," whenever they see something new that is beyond their comprehension. But people will take not the slightest interest in such clamor; they will not only not respond to it, but will not even care to include it in their gossip.

**Ma Ding: One Must Not Busy Oneself Too Much With Information; If Excessively Eager in Watching for News, One Will Become Incapable of Any Move in Whatever Direction, and Will Fear Writing Anything At All**

Quite in contrast to the above, China's Premier Zhao Ziyang noted on a document, which suggested criticism of Ma Ding's article, that "it is now particularly necessary to venture out in courageous explorations," an idea that was like a spring breeze quickly spreading through academic circles. When theorists throughout the mainland held many meetings and wrote many articles to commemorate the 30th anniversary of the "hundred schools" pronouncement, they referred to the "Ma Ding incident" whenever propounding the importance and urgency of guaranteeing academic freedom. It is only at that time that Ma Ding himself became aware of the cause and effect of the Ma Ding incident. Afterwards, Ma Ding expressed his own ideas in a supplementary article, entitle "It is My Intention to Exert Myself for the Development of the Social Sciences," which appeared in the 24 May RENMIN RIBAO: "There have to be certain internal and external preconditions to allow a new generation of young theorists to grow up. Internal preconditions are the need for solid fundamental knowledge and a proper scientific methodology, need for long-term arduous explorations and independent thinking and researching, need for a certain courage in theoretical research and a spirit of opening up new fields and a display of creativity. External preconditions are the need for an extensively harmonious and complaisant atmosphere and the need for an invigorating, open and effusive public opinion environment."

Apart from these statements, which would be fit to be widely publicized among the masses, there is one item of intimate knowledge that he would only talk about with friends. Hu Fuming [5170 4395 2494], author of the article "Practice is the Only Criterion To Test Truth," which created a furor in its time, is just like Song a young instructor at Nanjing University; is that pure coincidence or is there a special reason for it? Song Longxiang believes that in order to write a good article on theory one has to be located at a place not too closed off from information but also not too sensitive to information. If too closed off, one is not able to keep on top of developments, thus unable to write a good article relevant to current needs. If too sensitive, one will

be overwhelmed with source material, incapable of moving in whatever direction, and afraid to start writing at all. Nanjing, in his view, is just right, a good place, conducive to the writing of good articles.

#### Another Kind of Song Longxiang's Vexations

As the time has passed that his own virgin work would result in his suffering the "big stick" treatment, Song Longxiang is faced with another vexation. Now that he has suddenly become famous, there is a constant stream of visitors, reporters, letters, and invitations to meetings. Recently he wrote to one of his friends: "I don't know myself whether this turbulence about questions of theory, which has been going on for months on end, has now completely abated, but I do hope it has quietened down once and for all!... For the last half year, the tranquility of my former life has been radically shattered; meeting too many visitors leaves me no spare time; too many letters that all have to be answered. Being a socially inept person, I am exhausted and sick of it. I always want to settle down quietly, take a rest, and coolly think things over. I hope I will be able to quietly reserve some time to bring order into the events of the last year and think things over, also to review again and restudy some of the theoretical questions to which I had already given thought in the past."

This kind of vexation has to be resolved in some way. But may Song Longxiang find a quiet environment at Nanjing, this good place conducive to the writing of good articles, so that he can settle down quietly and write more good articles, now that his virgin work has made him famous.

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CSO: 4005/674

CPC PARTY SCHOOL ORGAN COMMENTS ON SUPERIORITY OF SOCIALISM

HK2106501 Beijing LILUN YUEKAN in Chinese No 3, 25 Mar 87 pp 14-18

[Commentator's article: "It Is Necessary To Propagate the Superiority of Socialism With Perfect Assurance"]

[Text] One of the four cardinal principles is adherence to the socialist road. The reason we must adhere to the socialist road is because only with socialism can China be saved and developed. Only thus can we, from the situation where our country has a low starting point and a late start, catch up with the developed countries and realize modernization within a short period. We must adhere to the socialist road because the socialist system truly is superior to the capitalist system and capitalism will indeed be replaced by socialism. Originally there was no problem about this. However, in recent years because various surface phenomena of the dazzling world of capitalism have confused people's mind and especially because of the flood of the tide of bourgeois liberalization, combined with our great mistakes in the 10 years of turmoil, and the fact that some unhealthy tendencies have not yet been thoroughly corrected, some people have lost their confidence in forging ahead and have lost their revolutionary ideals. Some have even negated the socialist system and advocated the capitalist system. For a time, this caused a clamor and some of the masses, especially some young people, had this or that doubt about socialism. Further, more some of our good-intentioned comrades were not bold and assured in refuting these opinions and talking reason in this respect. Is socialism no longer truly superior to capitalism? Has this basic principle of Marxist historical materialism really become outdated? There are questions now facing us and which we must answer correctly.

In March 1979, Comrade Deng Xiaoping pointed out: "We must adhere to the socialist road. Now there are some people who are spreading the opinion that socialism is inferior to capitalism. We must thoroughly refute this opinion." (Footnote 1) ("Selected Works of Deng Xiaoping", p 152) Facts have proven the correctness of this judgment. Only by thoroughly refuting this opinion that socialism is inferior to capitalism can we make people continually strengthen their trust in the cause of socialist modernization in which our nation is currently engaged, and have them voluntarily make a contribution. Only thus will the 1 billion Chinese people have common objectives of struggle and common ideals, thereby providing a great congealing force, and only in this way will we be able to guarantee that our reforms, opening up and

invigorating will be able to more healthily progress forward in a political situation of stability and unity without interference.

Refuting the opinion that socialism is inferior to capitalism is not only necessary but also completely possible. As far as our country is concerned, the superiority of socialism over the capitalist system is an objective fact.

First, if we are to see which social system is superior, we must see which can cause social productive forces to develop quicker. Although our country's socialist system only has a history of 30-plus years, the achievements we have realized in developing the social forces of production not only have no comparison to old China, but are difficult for the great majority of developing countries to match. This is especially true of the last 8 years or so as our nation has progressed in all areas in ways which surpass all periods since the founding of the PRC. Even compared to the fastest developing capitalist countries, our speed was by no means inferior. Today, of the developed countries which practice capitalism or nonsocialist systems, apart from a small number of small countries or narrow areas which have special opportunities or conditions, there is no large country which can achieve the great achievements we have realized. Over 30 years ago scene of desolation met the eye everywhere. There were alarms all around, the bodies of the starved covered the roads, demons tyrannized the people and everything was in complete ruin. With several hundred million peasants the country had virtually no industry, much less developed science and technology or education. In this short period we have realized achievements which have attracted worldwide attention, such as an annual production of 50 million tons of steel, approximately 800 billion jin of grain and so on. What is particularly important is that we have established a large, fairly complete, independent industrial system and national economic system. How can it be said that socialism in our country is not superior? Thirty-eight years ago the U.S. Secretary of State Acheson said in a white paper: The population of China has doubled in two centuries "resulting in the land being subject to unbearable pressure. The problem of feeding the people is the first problem any Chinese Government must encounter. No government has been able to resolve this problem." Our country's population has more than doubled but the people's government, under the leadership of the CPC, has relied on the socialist system and on less than 8 percent of the world's total arable land we have produced the grain necessary to feed close to one-quarter of the world's population. This problem was so great in the eyes of the bourgeois politician. But socialist China has not only resolved this difficulty, it has also resolved the problem of clothing its people. How can this not be seen as a manifestation of the superiority of socialism? Fang Lizhi and others did not consider the above-mentioned basic facts and even said that in our 30-plus years "the results have been a failure" and "nothing much good has been done." Is this not groundless talk by those who have closed their eyes and are irresponsible? Any person with a brain should not be taken in by such agitative ideas.

Which social system is superior? We should also look at whether it is beneficial to the welfare of all people. A characteristic of our country is

that the population is large, the base is poor and for quite a long period the population will continue to grow relatively rapidly. Because of this the per capita income is only \$300-plus and in general the standard of living is not high. However, we have basically eliminated capitalist exploitation and pillage which the capitalists would not have given up no matter what. Also, we have eliminated the situation of great disparity between the rich and the poor and the polarization where on the one hand there were millionaires, multimillionaires and billionaires and on the other hand there were a large number of people living below the poverty line. In a situation where per capita income is equal or close, we have been able to provide, for the vast number of people, higher living standards and better living conditions. This is also an irrefutable fact. In the fourth issue of HONGGI this year, a commentator's article pointed out that some basic livelihood indicators for our nation's people at present, such as daily nutritional intake, adult literacy, medical and health system which serves the people and which represents the people's interests, and which takes the people's interests as the center in arranging all social life. It is because of this that although our nation's socialist democratic system needs gradual perfection, as seen in terms of the system's essential nature, our nation's people are the masters of the state and they enjoy democratic rights which they never had before. It is also much more democratic than any capitalist country. In our nation each time a natural disaster occurs leading cadres, party members and PLA soldiers all fight together with the people from morning to night. In the second line, there is always the whole region and even the whole country in support. We cannot say that the governments of capitalist countries are unconcerned about them, but in general their situation cannot compare with ours. While in our ranks there are some morally degenerate elements, they cannot change the nature of our party of change the socialist nature of our country. It is precisely because of this and also because we have eliminated the exploitative system and exploitative class that our nation's people are able to have common social ideals and common standards of morality and thereby have been able to form brand new relationships between people. In our country, through the strong initiatives of the party and the state, the following are becoming the customs pursued and yearned for by the vast numbers of workers, peasants, and intellectuals: everything is for the public good and there is no selfishness; people consider others first, then themselves; people find pleasure in helping others and do not pocket money they find; if a person has difficulties everybody helps; if there is a problem on one side, all sides come to assist; people actively make contributions to the motherland and to the people, and even sacrifice themselves; and so on. Many social contradictions have been resolved relatively well and have not developed into serious clashes. This is the complete antithesis of the indifferent interpersonal relationships of capitalism where "others can go to hell," that callous unfeeling cash dealing, those kind of attitudes where you hurt others to profit yourself, where each tries to cheat the other and where the strong eat the weak; and of that extremely serious crime, degeneration and despair which are unavoidable accompaniments of that system, as well as the universal lack of security. In the 17 February issue of the Hong Kong Newspaper ZHONG BAO (0022 1032), an article entitled "Hong Kong People, Do You Live Happily?" said, "In theory, economic prosperity, scientific and technological development and social

modernization should benefit communication between people. However, in practice, or at least in Hong Kong's practice, the exact opposite is true!" "Therefore, when trying to straighten out their thinking they moan and groan. When still unable to straighten out their thinking the extroverts go to extremes with drugs and excessive gambling, leading to enmity, jumping out of buildings, and suicide by gassing themselves. The introverts remain depressed and alone and end up as sufferers of mental illness!" "The extreme competitive form of capitalism has already turned us into abnormal animals! Even if one day we all have our own houses made of gold and interpersonal relationships are colder, will we be satisfied?" Many sincere foreign friends have repeatedly warned us to absolutely not lose the good things we have. An objective and fair reporter, after comparing the different social habits under the two systems, said: "In my view, the path the Chinese people are taking is correct. They certainly should not copy the examples of their neighbors." Also, with its low starting point and late start our nation's modernization has only been able to proceed with great vigor and spiritual support because of the above-mentioned socialist things. Only thus has our country been able to end the situation when things were like a pile of loose sand, and maintain social stability and the people's unity; and only thus will our country, under the strong leadership of the Communist Party and the people's democratic dictatorship, in a relatively short time, be able to catch up with developed countries. How could we not do our utmost to maintain and adhere to these truly valuable things, and act like Fang Lizhi and others who cast them away like worn-out shoes?

Some people like to make comparisons between the situations in developed capitalist countries in terms of production levels, management levels, levels of science and technology and standards of living, and use these to prove that socialism does not have the superiorities of capitalism. Many articles have already pointed out the unscientific nature of this kind of comparison. We do not completely oppose making comparisons with developed capitalist countries. If the comparison can help us recognize our own backward situation and thereby stimulate the national spirit and arouse a sense of responsibility and a sense of urgency in achieving modernization, then that is not only possible, but necessary. However, the purpose of Fang Lizhi, Wang Ruowang and others in making such comparisons is to negate socialism and preach capitalism. They intentionally overlook the historical development of the two systems and do not concretely analyze this development. The unreliability of this kind of comparison is obvious. First, it is unscientific to compare the results of several hundred years of capitalism with the results of our development in 30-plus years to prove the superiority of the former over the latter. Also, starting from capitalism's primitive accumulation, capitalism has traveled a painful and long road. On this road the vast numbers of laborers under cruel exploitation and oppression, were tossed about in suffering, great numbers died unnatural deaths, there was inhuman slave trade, pirate-like colonization and pillaging abroad, acute class contradictions and clashes, intense social turbulence, brutal and bloody massacres and wars, and the capitalists even twice started world wars which swallowed up tens of millions of lives. These are universally known historical facts. Would we not be out of our minds to give up the bright road of socialism and insist on returning too that long road of suffering!

There are other people who, holding that our nation cannot skip over social development stages, advocate that China make up for the missed lesson of capitalism. It should be pointed out that the capitalist road has already been taken in China. Starting with the reform movement of 1898, many people made numerous experiments with it. Historical logic is merciless. It did not prove that this road was feasible in China and instead proved that this road would get us nowhere. It did not prove that socialism did not accord with the national situation, but instead proved that only socialism could save China. The 1911 revolution led by our nation's bourgeoisie was the revolution with the greatest hopes for victory. But this revolution proved the incapacity of the bourgeoisie to revive China. It proved that in China the capitalist road could only be taken by traveling the road of semicolonialism and semi-feudalism (although we must fully affirm the progressive historical role of the bourgeoisie at that time and the grand moral quality and revolutionary character of its leading personages. Also, there were many people with lofty ideals who proceeded from kind-hearted hopes and both advocated and practiced "saving the country through industry" and "saving the country through education." However, because they did not have the basic prerequisite of socialism, they all failed. Those people who studied the West and followed the capitalist road ran into this common difficulty--the teacher had long aggressed against the pupil and would never tolerate a capitalist, fully developed, strong China. What the imperialist powers tried their best to do was to change China into their colony or semicolonony. To achieve this they used a multitude of methods to maintain China's feudal powers so that they could use them as their props in ruling China. The facts were extremely clear: anyone who wanted to save China, develop China's productive forces and bring China into the ranks of the world's advanced countries would have to first overthrow the rule of the imperialists and their running does in China, achieve complete political and economic independence, and lead the people in stiffening their backs to safeguard this independence. In the past the weak Chinese bourgeoisie could not do this and therefore they failed. Today, those democratic individualists who look to the banner of "complete Westernization" cannot do this either. Only China's working class which advocates and practices socialism, and its vanguard, the Communist Party of China, can lead the people in shouldering this task. Comrade Deng Xiaoping spoke very truly when he said, "If China gives up socialism, it will inevitably return to semifeudalism, and semicolonialism." This is the unshakable historical conclusion which people have obtained from their personal experiences in the nearly 70 years since the May 4th Movement until today.

Fang Lizhi, Wang Ruowang, Liu Binyan and others want to use our party's mistakes and the various ugly phenomena which still exist in our society to prove that socialism is inferior to capitalism. This is futile. We have indeed made some mistakes on major questions, and traveled a winding road. However, first, this was not the result of the basic system of socialism, but was this or that problem in various specific systems. These were basically produced by the lingering influence of the long period of history of the old society. Second, we have corrected all of the mistakes within the scope of the socialist system. Not only this, but we seriously summarized experience and lessons, found the basic cause of the mistakes, and promoted a series of

reforms, so that our systems were improved daily. This precisely proves that the socialist system has the capacity for self-perfection and therefore has vigor and a powerful life force. These are precisely what capitalism lacks. Third, going back a little, was capitalism, in its process of development, able to avoid mistakes complications? Several major capitalist countries, just after they were established experienced repeated disturbances for periods longer than those experienced in our country and to a greater degree than those we experienced. The number of things retained from feudal society were also greatly in excess of those in our society! Socialism will unavoidably retain some vestiges of the old society and various unhealthy tendencies and other ugly phenomena exist. However, if on that basis we call it feudalism with a socialist varnish, what should we call capitalism? Why should that be favored and this be slighted? We should not forget that various unhealthy trends and ugly phenomena in our society are open and legitimate activities in capitalist society. In our society they are not permitted by socialist law or morality and they are incompatible with the basic systems of socialism. It is precisely because of this that they are bitterly hated by the vast majority of cadres and the masses. Although we cannot completely and thoroughly eliminate these evil things in one stroke, compared to capitalism, socialism is much cleaner! We cannot let trivial matters obscure the important ones or "be able to see the minutest autumn hair, but unable to see a cartload of firewood." We cannot let our appropriate satisfaction with the unhealthy tendencies and other ugly phenomena blind us to the basic superiorities of the socialist system, and like Fang Lizhi and other people who have engaged in bourgeois liberalization, rush off down the road of evil.

Fang Lizhi and others have done their utmost to prettify capitalism and said that the relationship between socialism and capitalism is a relationship of pluralism, that they run parallel to each other and that they make up each others deficiencies. They even say that some Western capitalist countries are socialist. It should be pointed out that although Western capitalist countries have carried out improvements of one sort or another, especially from the 1930's to the 1950's and successively implemented "welfare state" policies which "made the cake bigger," they still today have mainly 2 private ownership systems, overall social production is in an anarchic situation and there is distribution according to funds. Therefore, in basic terms they have not changed. The basic nature of their capitalism has not changed. The basic contradictions, such as the contradiction between socialized large-scale production and the private ownership of the means of production, and the contradiction between workers and capitalists have not been resolved in developed capitalist countries. The various chronic maladies of capitalism not only still exist in these countries but it is becoming clearer that they will be difficult to overcome. Their long-term failure to extricate themselves from economic decline is proof of this. Even some of their own scholars hold that capitalist countries which have developed most quickly since World War II are now "also signing the dirge of daily decline." (Footnote 1) (Article by Jay Palmer in the 29 December 1986 issue of U.S. magazine TIME. It can be seen that although developed capitalist countries are wealthier than us, they are certainly not the "heaven" some people envisage. We should also recognize that the development of these nations is

conditional upon the lack of development of the Third World. For a long time, brutal colonization and pillaging overseas was a major means for capitalism to amass vast wealth. The current international economic order is a continuation of these policies of the capitalist world. Serious unfairness and inequality still exist. This is a major cause of the wealth disparity between the majority of developing countries in the world and the small number of developed countries. Basically, socialism must replace capitalism through various avenues and through various forms. This is not only feasible but inevitable. The basic conclusion of Marxist historical materialism is certainly not outdated. Communist Party members and Marxist theoretical workers should have no doubts on this point.

As for Fang Lizhi, Wang Rouwang, and others' proposals for the "complete Westernization" by "copying everything of capitalism," they cannot stand either in theory or in practice. In terms of logic, they are also absurd. The "complete Westernization" proponents want to absorb absolutely everything. Should we take in the capitalist system of prostitution, the "red-light districts," open up gambling halls or even cities for gambling, adopt drug-taking, drug-dealing and so on? Every Chinese person with intuitive knowledge will say no!

It must be pointed out that our propagation of the superiorities of socialism and our rebuttal of the opinion that socialism is inferior to capitalism, and our adherence to the socialist road is only for the purpose of opposing those proponents trying to import the capitalist system and its overall ideology and lifestyles. We are certainly not opposed to studying and drawing in the advanced science and technology and advanced management methods of Western capitalist countries, or their funds, or beneficial aspects of their culture. The series of reforms being carried out at present involving the factory director responsibility systems, leasing systems, the bankruptcy law and auctioning small enterprises, are the self-perfecting of the socialist system. They are to break down the old economic forms which fetter the development of the productive forces and to build socialism with Chinese characteristics. This is for the purpose of better adherence to the socialist road and is not "socialism plus capitalism" and cannot be opposed as being capitalism.

The establishment of the socialist system has provided us with great possibilities for building material civilization and building spiritual civilization. Under the leadership of our party these possibilities have started to become realities. However, if we are to ensure that they become complete realities we must rely on our efforts. These efforts must include adherence to the four cardinal principles and opposition to all trends toward bourgeois liberalization. They should also include adherence to the series of policies involved in reform, opening up and invigorating, continual exploration and innovation. They must further include strengthening the socialist legal system, firm opposition to various unhealthy trends and the continual correction of various shortcomings in our work. Propagating the superiorities of socialism is not for the purpose of allowing us to rest on our laurels, but so that we will recognize our historical task and with full confidence push our nation's socialist modernization forward.

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CSO: 4005/802

HE JINGZHI ADVOCATES MARXIST LITERARY THEORY

Beijing WENXUE BAO [LITERATURE PRESS] in Chinese 16 Apr 87 p 1

[Unattributed article: "Study Well All Central Committee Documents; Criticize Bourgeois Liberalization--Organize and Unite on a Broad Scale the Contingent of Marxist Literature and Art Theorists, Promote Healthy Development of Original Creations and Commentaries"]

[Text] He Jingzhi [6320 2417 0037], vice director of the Central Propaganda Department, said at a symposium: The situation at the literature and art front is very good. In the last few years the spread of the ideological trend of bourgeois liberalization has truly been brought to a standstill for the first time. But the struggle is a protracted one, and the difficulties of our task are still considerable. I hope you, my comrades, will take up your pens and join hands in cooperation. Let us educate our literature and art personnel to firmly uphold the four cardinal principles and to combat bourgeois liberalization, and let us have an ideological and organizational rectification.

At a symposium on the subject of the use of manuscripts, organized by the literature and art department of the HONGQI [RED FLAG] Magazine Publishing Co., the literature and art department of the GUANGMING RIBAO, and the editorial department of WENYI LILUN YU PIPING [LITERATURE AND ART THEORY AND CRITICISM], He Jingzhi, vice director of the Central Propaganda Department, spoke on the topic of upholding the four cardinal principles and combating bourgeois liberalization among literature and art circles. He called on the contingent of Marxist literature and art theorists to unite on a widespread scale, to criticize the ideological trend of bourgeois liberalization and to promote the healthy development of literary and art creations and theory.

Comrade He Jingzhi said: I hope for two things. First, I hope that all comrades who endorse and uphold Marxism will take up their pens. Second, I hope that all will join hands in cooperation. I hope you, my comrades, will write articles, criticize the ideological trend of bourgeois liberalization, criticize the various nefarious tendencies of deserting the socialist way and of abandoning the path of Marxism. Work for the healthy development of our literary and art creations and literary and art criticism. Make your due contributions to a socialist literature and art with Chinese characteristics.

Comrade He Jingzhi said: Since the issue of relevant documents by the CPC Central Committee, the tide has already begun to turn in the ideological trend of bourgeois liberalization. At present, the situation at the literature and art front is very good. We may say that in the last few years the spread of the ideological trend of bourgeois liberalization has truly been brought to a standstill, and this for the first time. But the struggle is a protracted one, and our task is still very arduous.

Comrade He Jingzhi said: In consideration of past experiences, the CPC Central Committee presented, right at the beginning, clear lines of demarcation of its policy, and declared right at the start that there must be no "left" fighting the right. That was absolutely correct.

What we should focus our attention on now is the fact that some comrades have still no full understanding of the struggle against bourgeois liberalization, they distance themselves ideologically from the struggle and show resentment against it. Some comrades hope this struggle will soon be a thing of the past. But the CPC Central Committee is displaying firm resolution. If we cannot keep pace, our higher and lower levels will get out of step, and purely perfunctory performances may also possibly occur. Even up to now, some comrades believe that the RENMIN WENXUE [PEOPLE'S LITERATURE] case (its combined January-February issue) is only a question of national policy, and they will not admit that it is the result of the spread of the ideological trend of bourgeois liberalization and of other erroneous ideologies. This makes it clear to us that much still remains to be done.

Our comrades on the literature and art front must now first of all carefully study two books, according to the most recent notification of the Central Propaganda Department, and must carefully study the spirit of the Central Committee documents. Study by our literary and art circles of Marxism-Leninism and of the Central Committee documents is now and will always be a serious task. Comrade Deng Xiaoping's congratulatory speech at the Fourth Literature and Art Congress is a programmatic document, but some comrades only care to remember one sentence: "There must be no flagrant interference." When studying Central Committee documents, they also remember only the one sentence: "There must be absolutely no purges." Approaching Central Committee documents with this attitude is wrong.

Comrade He Jingzhi said: We must thoroughly straighten out our literature and art media and literary and art newspaper and periodical positions. Our literary and art newspapers and periodicals present many problems, some of them of considerable seriousness. At a time when the ideological trend of bourgeois liberalization is spreading, some of our literary and art newspapers and periodicals have a responsibility which they cannot evade. Some of these literary and art newspapers and periodicals exercise a very bad influence. Some slogans, typically symbolizing bourgeois liberalization, such as "reverse the verdict on capitalism" and others, have been coined by literary and art newspapers and periodicals. It will simply not do to further delay straightening out our literary and art newspapers and periodicals. This work must of course be performed after due investigation and study, clarification of the real state of the problem, distinguishing right from wrong in theoretical respects, and in a very carefully and painstaking way.

Comrade He Jingzhi emphatically pointed out: We must give our literature and art personnel an education in upholding the four cardinal principles and in combating bourgeois liberalization, we must give them education in the Marxist scientific literature and art viewpoint and in the guiding principle and political line governing socialist literature and art. Workers in the field of literature and art who are party members should also receive education on the principle of party spirit and on the party constitution. At the same time we must, furthermore, carry out propaganda among our cadres and among the masses on the Marxist scientific viewpoint on literature and art. There has to be rectification in literature and art units and among literature and art personnel, which is to be an ideological and organizational rectification. Rectification must be based on the two points outlined at the 3d Plenum of the 11th CPC Central Committee: one is upholding the four cardinal principles, and two, upholding reform and opening up to the outside world.

Comrade He Jingzhi said with great emphasis: In combating bourgeois liberalization, the most intense attention must be paid to policy. This struggle should unite people and educate people. The education should comprise much education by positive examples. We must fully take the objective sources into account that lead to the commission of errors, and assure ourselves of the fact that the errors are mostly due to problems of perception. Commission of errors by some comrades results from good motives, namely out of the desire to do things better and quicker. We should trust them to realize the harmfulness of liberalization, and that they will reform. Through the study of the Central Committee documents and of Marxist literature and art theory, the broad masses of our literature and art workers will certainly improve their knowledge, become stimulated spiritually, and ready to make great contributions for the greater glory of socialist literature and art.

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CSO: 4005/663

EDITOR-IN-CHIEF OF HONGQI DISCUSSES BOURGEOIS LIBERALIZATION

Beijing WENXUE BAO [LITERATURE PRESS] in Chinese 23 Apr 87 p 1

[Article by staff correspondent: "HONGQI Magazine's Editor-in-chief Xiong Fu Says: The Ideological Trend of Bourgeois Liberalization Among Literature and Art Circles Is Something That We Cannot Ignore"]

[Text] At a recent symposium on the topic of inviting manuscripts, convened by the literature and art department of the HONGQI [RED FLAG] Magazine Publishing Co., the literature and art department of the GUANGMING RIBAO, and the editorial department of WENYI LILUN YU PIPING [LITERATURE AND ART THEORY AND CRITICISM], HONGQI's editor-in-chief, Xiong Fu [3574 1788], gave a speech. In his speech he reviewed the tortuous course since the 3d Plenum of the 11th CPC Central Committee of upholding the four cardinal principles and struggling against the ideological trend of bourgeois liberalization, and spoke with great emphasis on the problem of how literary and art circles should presently maintain opposition against bourgeois liberalization.

Comrade Xiong Fu said that the struggle against bourgeois liberalization is becoming increasingly arduous and complex, particularly among literary and art circles, and that it is a matter that must not be taken lightly. Comrade Deng Xiaoping said that those favoring liberalization will lead us on a road to capitalism. This ideological trend is an assault--an assault we cannot ignore--against our four socialist modernization projects. I feel, it is an assault is characterized in the area of literature and art by negating the national characteristics of Chinese culture, by negating the fine cultural tradition of the Chinese nation, by negating the revolutionary tradition under the leadership of our party since the days of the May Fourth Movement, and by negating the perfect literary and art policy put forward by Comrade Deng Xiaoping as representative of the party at the Fourth All-China Congress of Workers in the Field of Literature and Art. The assault is intent on breaking away from the leadership of the party and relinquishing the course of the four cardinal principles.

Comrade Xiong Fu also said that the problem of combating bourgeois liberalization will be a long-drawn-out affair. Since it is a protracted matter, it must not be made into a campaign; we can only rely on regular persuasion and education. How is this party policy to be implemented in literary and art circles? First, as Comrade Deng Xiaoping has repeatedly

pointed out, literary and art circles must produce more good intellectual products, and must resolutely stop the production, importation, and dissemination of bad products. Second, they must use criticism and self-criticism in the struggle against erroneous trends, must advocate the study of basic Marxist theories, and must strengthen adherence to principles, systematicness, farsightedness, and creativeness in work. In the course of combating bourgeois liberalization, literary and art circles will certainly have to proceed according to the guidance received from Comrade Deng Xiaoping, must hold high the banner of Marxism and Mao Zedong Thought, and must write articles from the standpoint of literary and art criticism and literary and art theory which persuade by reason, which stir emotions by true sentiment, which have a full measure of persuasiveness, and which are deepened by basing on theory. This is the only way to achieve good results and arrive at the anticipated goal; the only way that a large number of people, especially people of the young generation, can be won over and educated.

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HE DONGCHANG, WANG RENZHI OPPOSING BOURGEOIS LIBERALIZATION

Beijing ZHONGGUO JIAOYU BAO in Chinese 2 May 87 p 1

[Article by reporter Yang Xuan [2799 6693]: "Let the Contingents of Marxist Theorists Fully Exercise Their Role at the Institutions of Higher Learning; Resolutely, Soundly, and Persistantly Oppose Bourgeois Liberalization"]

[Text] The State Education Commission Convened a Symposium of Workers in the Field of Theory From Some of the Institutions of Higher Learning; Wang Renzhi [3769 1804 0037] and He Dongchang [0149 2639 2490] spoke at the meeting.

To have the contingents of Marxist theorists at the institutions of higher learning fully exercise their militant role, to have them write in a planned manner articles expounding the four cardinal principles and criticizing the ideological trend of bourgeois liberalization, the State Education Commission convened a symposium, from the 27th to the 29th of April, at Beijing University, to which it had invited a group of workers in the field of theory from some of the institutions of higher learning.

Over 100 specialists and professors from scores of institutions of higher learning participated in the symposium. Comrades who attended the meetings studied relevant documents of the Central Committee, analyzed the ideological trend of bourgeois liberalization of the last few years and the relevant theoretical viewpoints that had surfaced in the various disciplines, studied the major problem where it would be necessary to draw clear lines of demarcation between theoretical right and wrong in the future developmental trend of the various disciplines. On this basis they drew up over 100 research topics, to induce serious scientific research that would lead to the writing of several high quality, convincing articles on Marxist theories.

He Dongchang, vice chairman of the State Education Commission, and Wang Renzhi, head of the propaganda department of the CPC Central Committee, gave important speeches at the meeting. After analyzing in his speech the current state of our opposition to bourgeois liberalization, He Dongchang pointed out that upholding the four cardinal principles and opposing bourgeois liberalization are issues that should require no further argument in the case of a Marxist party in power. However, there are still some people inside the party who at the start were not sufficiently clear on this point. Last year's

student unrest was a warning signal. The rampancy of ideological trends toward bourgeois liberalization must not be underestimated in its harmfulness. He Dongchang said, bourgeois liberalization goes against the laws of China's historical progression. Our party is after all one in which sound forces are the dominant factor, neither the party nor the masses will allow an unchecked spread of bourgeois liberalization, and this is a major and irreversible orientation. It would be a mistake for anyone to try to reverse this direction. The Central Committee recently issued a series of documents in which it clearly indicated the central authority's firm determination in this matter. We must energetically get to work to reduce to its utmost minimum the ill effects wrought by the spread of bourgeois liberalization ideology. There is also further need to continue to unify awareness of the seriousness and formidable nature of this issue.

When touching on the building up of a contingent of theorists in the fields of Marxist philosophy and social sciences, He Dongchang pointed out that it is necessary for an effective buildup of this contingent that we not only rely on the schools, but that school education must always provide the preconditions for such a buildup. As the struggle against bourgeois liberalization will be a protracted affair, we must start the buildup of the said contingent now while the struggle is still going on, and strive to raise the quality of its members. We must also adopt improved methods when providing a leadership force, when recruiting students, in dealing with the realities when participating in actual practice, in fostering a system of research fellows, and in similar respects.

On the question of how to launch criticism of the ideological trend of bourgeois liberalization and of other erroneous ideological trends, He Dongchang pointed out that we must aim at specific targets, base our answers on theory, and maintain a clear-cut stand in our views. As to erroneous viewpoints which, though not directly opposing the four cardinal principles politically, yet provide a theoretical foundation for the ideological trend of bourgeois liberalization, such viewpoints must also be subjected to criticism. But our criticism must adopt the form of discussions, allowing a hundred schools of thought to contend. Articles that we contribute to the debate must be well reasoned and seek truth from facts. The debate must be well organized, lines of demarcation must be clear, and our arguments must, furthermore, be able to stand the test of actual practice. We must not resort to despotic means or enforce arbitrary decisions in our criticism.

He Dongchang furthermore pointed out that we should integrate this work as far as possible with research, and with the items of philosophy and social sciences planned under the Seventh 5-Year Plan. At the same time, we should write articles for the young students. We must give consideration to the psychological state of the readers and combine the statement of events with philosophy, knowledge, and good writing skills.

Finally, he emphasized that ideological-political work is the lifeline of China's socialist institutions of higher learning. Without it there would be no guarantee for the continuation of the socialist direction. We have now a good contingent of political workers at the institutions of higher learning, but improving their quality still remains a problem. Furthermore, the key to

perfecting ideological-political work is now the need to improve theoretical work, as otherwise many questions will remain unresolved.

Propaganda department head Wang Renzhi emphasized in his speech first of all the need to be fully aware of the significance and necessity to write theoretical articles in criticism of bourgeois liberalization and of other erroneous ideologies. He pointed out that this is the key that will allow a deeper penetration of our opposition against bourgeois liberalization; we must rely on truth to persuade people. If we say that the ideological trend of liberalization has grown up from sociohistorical roots and may persist for a long time, it does not mean that we shall allow its growth to go on unchecked without any effort on our part. It would be a mistake to think that all that is required is to improve economic conditions, which will then deprive the liberalization ideology of its base of existence and will have it wither away naturally. Only genuine efforts of ideological work will reduce the market for ideological trends of liberalization, and it is not at all that we are incapable of action in that respect. Wang Renzhi said that there are also people who believe that criticism of the liberalization trend conflicts with the views of the 6th Plenum of the 12th CPC Central Committee, which concerned itself with the construction of socialist spiritual civilization. This is a matter of correctly understanding the resolution of the 6th Plenum. Marxism has grown out of the criticism of old ideologies. If we now criticize the erroneous viewpoint of liberalization, we have, out of necessity, to provide new ideology, new propositions, and new principles, that will usher in an advance in Marxist philosophy and social sciences. We must not treat criticism and construction as antagonistic opposites, we must achieve construction through criticism, and we must also uphold and develop Marxism, thereby enriching philosophy, social sciences, literature, and art.

Wang Renzhi demanded of workers in the field of theory to devote themselves consciously and energetically to the work of countering bourgeois liberalization and to exert themselves in the writing of good articles in criticism of erroneous viewpoints. He also demanded that they rid themselves of such misgivings as certain fears arising from past occurrences and of fears of possible occurrences in the future. The key consideration should be to seek truth from facts in these articles, write them scientifically and in a way that they will be able to withstand the test of actual practice. Many favorable conditions present themselves to workers in the field of theory, and they can play a very important role.

On the different levels of problems faced in writing articles, Wang Renzhi spoke of such questions as the necessity to be thoroughly versed in policy and to pay attention to heightening the persuasiveness of articles.

The editor-in-chief of HONGQI [Red Flag] magazine, Comrade Xiong Fu [3574 1788], had also been invited and spoke at the meeting.

During the discussion, all comrades attending the meeting agreed that it is absolutely necessary to launch a resolute, solid, and persistent struggle against bourgeois liberalization. This struggle shall be conducted under the guidance of Marxism, while implementation of the policy of allowing a hundred schools of thought to contend shall be continued. We must adopt a scientific

attitude when integrating the upholding with the further development of Marxism. In writing articles, we shall blend statement of events with philosophy, knowledge, and literary skill, combine them with criticism of liberalization and of other erroneous ideologies; we must strengthen our disciplines of philosophy and social sciences at the institutions of higher learning, and must strengthen the buildup of a contingent of theorists.

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**PLANNING, MARKET MECHANISMS, AND LAW OF VALUE**

Beijing JIAGE LILUN YU SHIJIAN [PRICE: THEORY AND PRACTICE] in Chinese No 1, 20 Jan 87 pp 4-6

[Article by Hu Changnian (5170 2490 2541): Pricing Adjustments and Planned Adjustments, Market Mechanisms, and Law of Value Adjustments"]

[Text] 1. The relationship between planned adjustments and market mechanisms. Viewed from an overall perspective and under the conditions of a planned commodity economy, adjustment of different aspects of society's production and adjustment of the form of economic development in all departments of the state economy are simply two types of planned adjustment and market mechanisms.

Superficially, these two forms of planned adjustment and market mechanisms appear to be competing and contradictory, but they are also interchangeable and mutually supportive. They form an opposing, yet unifying relationship.

For those under mandatory planning, generally speaking, the mandatory plan must be fulfilled. Failure to fulfill the plan is considered a lapse of duty. If one does not fulfill the mandatory plan, the need for market mechanisms is obviated.

During the implementation of mandatory planning, however, elements of market mechanism have been incorporated.

After completing the planned quotas and if allowed by the state, industries can arrange production and sales as they see fit based on market demands. If these arrangements benefit the industry, they will do everything possible to reduce the planned quota before it is established. After the plan is established, there are usually some conflicts. The industries will either fail to fulfill the plan or complete it quantitatively but not meet quality requirements. This introduces market mechanisms into a planned economy.

There is a distinction between centrally and locally planned quotas. Centrally planned quotas are based upon the state economy and are proportionally arranged. They consider the interests of the entire nation and are comprehensive in nature. Because local situations and viewpoints are different, locally established quotas usually emphasize local needs and

interests. In contrast to central plans, locally planned quotas have certain unavoidable biases. In another respect, however, they have a certain degree of flexibility. This flexibility is another example of market adjustment.

Another use of market mechanisms in planned adjustments appears in guidance plans. Such plans use all types of economic mechanisms to reach their goals in order that the national economy will develop in a coordinated fashion. When these various economic mechanisms are applied, we must introduce certain market mechanisms; otherwise, it is difficult to reach the planned goals. For example, the state uses price mechanisms to direct agricultural production and the purchase and sale of agricultural products. As a matter of fact, the state uses price fluctuations to induce peasants to produce and sell according to the requirements of economic development. The needs of the state economy for agricultural products are thereby met. Will peasants be willing to listen to price guidelines regulated by the state? This depends upon whether or not the state regulated prices can adapt to market supply and demand. It is obvious that plans involving guidance already are influenced by market mechanisms. Only when state regulated prices correspond to peasants' interests will their production and the products sold to the state correspond to society's demands.

In the relationship between planned adjustments and market mechanisms, however, there is neither a one way transformation of planned adjustments to market mechanisms nor a one way introduction of market mechanisms into planned adjustments. These transformations and introductions are usually two way. When prices for secondary products and vegetables are uncontrolled, we can see that the way is open for market mechanisms. Prices for secondary products and vegetables are too high in some areas, and an upper limit for prices developed. This means that elements of planned adjustments have also been brought to bear on market mechanisms.

When market adjusted prices for certain raw materials in short supply are too high, the state will increase the price for that portion which it is planning to supply in order to reflect its intrinsic value. On the other hand, the state will plan to increase the supply of raw material to meet market demand and to ease the relationship between market supply and demand. These actions encourage market adjusted prices to drop to a reasonable level. Here, elements of planned adjustments have been brought to bear on market mechanisms.

The scope of planned adjustments has long been excessive and overly concentrated. It is difficult to motivate different local areas, industries, and the workers. From the point of view of overall development, therefore, we need, to a certain extent, transform planned adjustments into market mechanisms and introduce more market mechanisms. We cannot assume that this interaction will eventually eliminate planned adjustments and allow the market to adjust society's production. Socialistic public ownership in China determines the necessity for planned adjustments.

## 2. The relationships between planned adjustments, market mechanisms, and law of value adjustments.

The law of value is the law of a commodity economy. Socialistic economies are commodity economies. Therefore, the role of the law of value in the various aspects of socialist reproduction is primarily a regulator in the production, circulation, distribution, and consumption of goods. In that case, what is the relation between planned adjustments, market mechanisms, and the law of value in the development of a national economy?

The law of value is an objective economic regulator which does not change because of human will. Therefore the economy will reflect the law of value, regardless of whether there has been mandatory planning, guidance planning, central planning, or local planning. If this were not true, all these types of economic planning would not be able to accomplish the goal of economic regulation. For example, when we created a premium over procurement price for cotton, cotton production soared from a very low statistical base. Even areas that never produced cotton suddenly turned to cotton production on a massive scale. The result was that land devoted to grain was pressed into the production of cotton and the state had to increase its expenditures to make up for the loss in grain. All this happened because the premium over procurement price did not reflect the law of value. After the price was changed to a fixed price reflecting purchasing trends, cotton production was then regulated according to the law of value and expenditures that the state should not have had to assume were reduced. As another example, at present we cannot suppress the overproduction of consumer durable goods. At the same time, we cannot spur the production of consumer nondurable goods. The production of these items demonstrates that the planned prices for them do not reflect the law of value.

Clearly, we must fully understand the law of value. Furthermore, in planning the economy by making full use of the law of value. Only then can we truly regulate social reproduction and make planned adjustments in accord with the law of value.

In a socialist national economy, there are many forms of ownership in addition to state ownership. There is public ownership and collective ownership. A distinction can also be made between ownership by the entire nation and community ownership in the state socialistic economy. Ownership by the entire nation can involve either central or local management. A combination of these facts and a certain degree of industrial independence make it impossible to conscientiously and rationally apply and adjust the principle of value to all aspects of the socialistic economy. Therefore, varying degrees of automatic and blind adjustment of the principle of value must unavoidably exist in all areas of production, sectors of the state economy, and industries and in every locality.

Automatic and blind adjustments of the law of value is not necessarily bad for the state economy. When central planning adjustments are insufficient, a certain degree of automatic and blind local, and industrial planning (as opposed to central planning) are often better adapted to local conditions. Because they can adjust to the local area and industries, such planning becomes a necessary supplement to central planning and an inseparable component of the coordinated development of the entire state economy. When

central planning, local planning, mandatory planning, and planning with guidance are all insufficient, the production and management of certain industries and individual households must be determined entirely on their own, based on their analysis and judgement of the market supply and demand situation, price fluctuations, and profit or loss levels. Although the law of value is automatically and blindly applied in these situations, this is not a bad thing either. When central and local planning become inadequate, the flexibility and adaptability of these industries and individual households serve as a necessary supplement. This flexibility and adaptability is motivated by the automatic and blind adjustments of the law of value. Therefore, tens of thousands of these industries and individual households are also indispensable components in the coordinated development of the national economy.

The above indicate that there are two types of adjustments to the law of value in our planned commodity economy. One is apparent in the conscientious and planned application of the law of value. Conscientious and planned adjustments of the law of value are reflected in central, local, and industrial planning to varying degrees. It is also evident in the certain degree of agreement between planned adjustments and those made according to the law of value. A second type of adjustment appears in automatic and blind adjustments in the law of value. Automatic and blind adjustments reflect an agreement between market mechanisms and those made according to the law of value. They are especially prominent when planned adjustments have not yet reached the economic sector, but have also made an impact in varying degrees on those economic sectors using planned adjustments.

### 3. Relationships between adjustments in planning, marketing, the law of value, and pricing.

The law of value adjusts every aspect of production in the society as well as production and management activities in every sector of the state economy. It achieves its adjustment function in the state economy by various means. Every economic activity identified by a value (such as costs, salaries, profits, taxes, interest, money, finance, and prices) achieves its adjustment function in the state economy according to its own specific characteristics and capabilities. Among all these forms of value, price adjustments are the major mechanism for adjustments in the law of value. This fact is determined by two main characteristics of pricing. First, pricing touches every aspect of an commodity economy. From production to daily living, from city to country, and from the nation to the individual, pricing is omnipresent. It is a very sensitive subject and of great interest to the public. Second, all other forms of value are coordinated with and interact with pricing in many ways. Salaries, profits, taxes, and interest are all components of prices, and their changes directly affect pricing levels. On the other hand, price levels also limit changes in salaries, profits, taxes, and interest. Price changes are also directly determined by changes in currency value. Stable prices limit the amount of currency issued and the related budget situation. Therefore, price adjustments and changes not only affect other forms of value directly, they are usually a reflection of the combined changes in other forms of value.

Pricing strongly influences production and transportation of goods in the society. When the prices of certain commodities are set too low, supplies become short, and some commodities disappear from the market. When prices are set too high, a wave of these commodities appears, and there is a surplus. When the commodity prices are accurate and logical, the commodities will undergo balanced development in a direction that meets the needs of society.

Pricing strongly influences the distribution of the state's and people's incomes among the different economic sectors, regions, and industries, between the state, communities, and individuals, between rural and urban areas, and among different levels of society. When coal prices were increased appropriately, the incomes of coal-producing sectors, regions, and industries increased. However, the incomes of coal-consuming sectors, regions, and industries decreased proportionately. In the last few years, purchase price for agricultural products have increased markedly. We can see that the increase in the standard of living for many peasants has exceeded the increase in production. Differences between urban and rural populations and factory workers and peasants have decreased. At the same time, the state's expenses for purchasing agricultural products increased greatly. When we lowered prices for polyester and cotton-polyester textiles and watches, the net income of many people actually increased. When the selling prices of many secondary food products were increased, the net incomes of many urban and mining workers actually decreased. In order not to affect the workers' living standard, the state cannot afford not to give the workers an appropriate supplement.

As a part of China's planned commodity economic system, price adjustments are divided into state-determined prices, prices that receive guidance, and market-adjusted prices.

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**DIFFERENT VIEWS ON PRICE REFORM ISSUES**

**Beijing JIAGE LILUN YU SHIJIAN [PRICE: THEORY AND PRACTICE] in Chinese No 1, 20 Jan 87 pp 48-49**

[Article: "State Council Commodity Prices Group Holds Symposium on Price Reform"]

[Text] In November 1986, the State Council Commodity Prices Group invited several economic experts, scholars, and young economic theoreticians to discuss price reform. The following summarizes the main ideas to come out of this symposium.

**1. Indicators of a Rational Pricing System**

One of the goals of price reform is to rationalize the pricing system. There are 3 opinions as to what constitutes an indicator of a rational pricing system.

First, an indicator of a rational pricing system is an approximately equal average profit rate for all types of industries under conditions of normal production and rational usage. This average profit rate is the retained earnings of all industries, i.e. the price of the merchandise minus federal tax and tax on goods of different valuations. There are differing opinions about how to calculate average profits in various industries. Some prefer a profit to investment ratio, others prefer a dual calculation based upon retained earnings per capita and profit retention per unit of capital investment, and the third group suggested a multichannel calculation involving retained earnings. Some comrades suggested that reasonable differences in average profit rates should be allowed for different industries, but these differences should not be excessive. In this way, price approximates value (or the production cost) and reflects supply-demand relationships.

Second, when prices reflect supply-demand relationships, the pricing system is logical. Because production costs are only an economic development trend, no country can formulate a pricing system that equalizes production costs.

Third, a logical price should have the following characteristics: 1) It acts as a signal that reflects and adjusts market supply and demand; 2) it is

capable of adjusting income distribution; and 3) it can cause enterprise and product structure to become more rational.

## 2. Ideal model for reform of the price management system during the "Seventh 5-Year Plan"

Although both planned prices and free prices are now essential, most comrades believe that they should not become the major means of price management in China. There are several reasons for this belief. A planned commodity economy avoids the inflexibility of a simple planned economy and the blindness of a simple commodity economy. On the other hand, an ideal method for price management must be derived from a combination of planned and free prices. Three detailed suggestions were offered:

First, some comrades suggested that market adjusted prices are the most important management method, but they must be under an overall control. They also believe that most commodity prices should still be uncontrolled during the Seventh 5-year Plan, but controls should be removed gradually. For uncontrolled commodities, we must emphasize comprehensive management and controls. Removal of controls must not be capricious, and management must not be excessively restrictive. The purpose of removing controls is to invigorate, but if management is unable to keep pace, we will not only fail to invigorate but actually create a mess. Management cannot revert to the methods of the past; this would only return us to the old ways and stifle our efforts.

Second, some comrades suggested a multilayered management method combining planned adjustments and market mechanisms. There are three reasons why they favor the above method. First, a multilayered price management system is unavoidable both now and in the future. The proportion of planned prices can be reduced but not eliminated. Uncontrolled prices also cannot be the only method. A transitional price management system is therefore necessary. Second, plans and markets should interact and influence each other, but must not be rigidly combined. Plans must use the market, and the market price should be guided by a plan. Third, planned adjustments do not inevitably produce bureaucracies. In the past, plans have been inflexible; we cannot now say that plans are always bad and must be eliminated.

Third, some comrades suggested a management method where the state suggested prices are most important, and planned prices and market adjusted prices are subordinate. They believe that state suggested prices indicates the coexistence of planning and negotiation as well as coercion and free choice. They also indicate the coexistence of state prices and producer prices. State suggested pricing can prevent or reduce the rigidity of prices fixed by the state alone and the sudden fluctuations of prices fixed by producers alone.

## 3. Environment and procedures for price reform during the Seventh 5-Year Plan.

Most comrades think that price reform requires a relatively relaxed economic environment. In order to create an environment for reform, overall controls must be emphasized, basic construction should be reduced, capital investment

must be under control, and large scale inflation during price reform must be avoided.

Some comrades believe that effective price reform requires the establishment and improvement of an effective market system. When supplies are abundant and the market is very prosperous, a higher rate of inflation is not a matter of concern. The current inflation rate in Yugoslavia is almost 100 percent, but their markets are stable, and their people feel secure. One reason is because they have established an effective market system.

There are three schools of thought about procedures for price reform. The first is based upon "3 step music" and was suggested by the Hungarian economist Bela Csikos-Nagy. The first step is to adjust prices for basic products and to gradually adjust prices for raw materials. For those products which are either difficult or impossible to manage, prices should be left uncontrolled. The second step is to decontrol the majority of product prices and to adjust certain prices in those industries monopolized by the state and important to both the state's welfare and the people's livelihood. The third step is to establish connections with prices in international markets.

Another school of thought believes that reform of prices for raw materials should be foremost during the Seventh 5-Year Plan. Reform of agricultural and rental prices should be set aside. If we do not reform the prices for raw materials, there is no way to revitalize industries. Industries should be pressured to absorb the effects of price increases for energy and raw materials, but the steps should not be too large. We should proceed by small steps.

The third school of thought believes that certain commodity prices that are severely distorted and affect normal production should be vigorously addressed during the Seventh 5-Year Plan. We must be able to distinguish between major and minor problems as well as between those which require urgent attention and those that can wait. As problems arise, we will solve them. For example, grain purchase prices are obviously low and have already affected the improvement of grain production. Grain price problems should be solved first.

#### 4. The relationship between price reform and other reforms.

The following several concepts were discussed: First, reform of ownership must take priority. The reasons for this include: 1) Difficulties facing the current price reform program have increased, and it is becoming more difficult to meet the established goals. 2) The mental adaptability of the general population is poor, and they fear price inflation. 3) It is difficult to solve fundamental problems by price reform alone. At the most, it can create a competitive environment, but it cannot arouse enthusiasm for production.

Second, price reform should take priority. Reasons include: 1) Price reform resembles a game of Chinese chess that has already begun and should not be stopped. However, the wagon, the horse, and the cannon must be well coordinated if there is to be victory. Moreover, each successive step in economic reform involves pricing problems, and it is impossible to circumvent price reform. 2) Price reform and other reforms resemble a puzzle of

interlocking rings, and we must begin to solve the puzzle at the outer rings. This will create a better environment, and we can gradually proceed inward until we finally solve the problem of ownership.

Third, reform involves the coordination of individual steps with the overall process. The reasons for this are: All economic reform resembles a nine part puzzle, and all parts are interconnected. Their interrelationships provide the preconditions for each part. If you hope to find a single opening, it is unrealistic to expect that "a good chess move can revitalize the entire game." You cannot emphasize only one aspect of reform, but all the relevant aspects must progress in a coordinated fashion.

Other comrades have pointed out that price reform must be coordinated with the establishment of a legal system. If one is to choose between law and policy, the former is more reliable and enforceable. For example, there would have been fewer problems if there had been a legal system when applying the "dual track pricing system." We must immediately establish a legal system governing prices. If a comprehensive system is not possible, we must establish individual laws as soon as possible in order to stabilize the economy and provide security for the people's lives.

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## DONG FUREN ON ENTERPRISE REFORM

Beijing GONGREN RIBAO in Chinese 27 Apr 87 p 3

[Article by Correspondent Jiang Wenliang [1203 2429 5328]: "Need For Comparison and Exploration in Going From Diversification To Standardization. Noted Economist Dong Furen [5516 6534 43556] Discusses the Advantages and Disadvantages of Several Models For Reform of State-owned Enterprises"]

[Text] As reform enters the stage of stalemate, people's thinking is extraordinarily lively. Knowledgeable people everywhere are seeking a way out for state-owned enterprises in a cycle that goes from "design to pilot projects to feedback." For a period of time, models proliferate and thoughts come tumbling forth. Lease systems, contract systems, business responsibility systems: at least 10 different kinds. Diversification has become a typical feature of the times. What are the individual advantages and disadvantages of each model and idea? Can one or several standardized models be found that will solve the problem of vitality in enterprises in the state-ownership system? This string of problems in mind, on the afternoon of 16 April the correspondent paid a call on a noted economist, the director of the Economics Institute of the Chinese Academy of Social Sciences and the person in charge of a key national project during the Seventh 5-Year Plan, reform of problems in enterprises under state ownership, Dong Furen.

The nearly 60 year old Dong Furen is of medium height with a gaunt face and bushy black eyebrows under which bright and sharp eyes, behind metal-rimmed spectacles, reveal the wisdom and farsightedness of a scholar. Sitting on one side of a chair, he spoke with fervor and assurance.

"Strengthening the vitality of enterprises is the central issue and goal of reform of the urban economic system. The 3rd Plenum of the 11th Party Central Committee proposed making enterprises into relatively independent commodity producers and operators with self determination for their operations and responsibility for their own profits and losses. Reform of enterprises has scored numerous results so far, opening hopes for further successes in reform of the country's economy; however, achievements have fallen short of expectations. Where are the problems? Dong Furen paused and then said, "There is a generally held view in the country that supposes the lack of vitality in enterprises to result from a lack of suitable markets outside. I believe, however, that enterprises themselves are one of the mainstays of

market activity, and that markets must rely on enterprises for sustenance. If enterprises are not lively, markets cannot become lively either. To go on from this, it is enterprises that are the problem. It now seems that an exploration that follows the line of thinking of a separation of the two rights, namely the separation of operating rights and ownership rights is of very great practical significance.

"Nowadays, there are very many pilot projects and models for reform of enterprises; however, I believe that there are probably only four major kinds of genuinely independent and worthwhile models for reform of enterprises, and they are as follows: a lease system, a contracting system, a stock share system, and a business responsibility system. As for other systems such as plant manager term-of-office objective responsibility systems, such cannot be deemed to be independent models for enterprise reform, but rather are added to a certain kind or a certain model of a certain kind under limited conditions." Upon hearing this classification, I felt it was fresh, so I asked him to make an analysis and comparison of the advantages and disadvantages of these several kinds of models, and Dong Fureng happily assented.

#### The Lease System Is Genuinely Effective; However, It Is Most Suited To Small Enterprises.

"First the lease system in which the lessor bears responsibility for profits and losses and has, at the same time, a certain amount of self determination. A look at practice in the Shenyang pilot project shows that it has a certain amount of applicability to small enterprises and results were rather good. But the lease system is not appropriate to large and medium size enterprises, because individuals do not have enough ability to lease large and medium size enterprises. The risks are too great, and they cannot stand the risk of sudden losses. This is the first reason. The second is that there is no way to avoid short-term behavior in leased enterprises. Even though short-term behavior was not discovered in the pilot project process in some places, I personally believe that lessors are bound to take into account the completion of leasing goals within the period of the lease, and they will usually try to maximize earnings within the period of the lease. But when it comes to making a long-term investment in an enterprise, they will take into account the relatively small possibility of long-term development of the enterprise. Third is that certain conflicts may arise within leased enterprises. A look at the principle of "any remainder after satisfying the state and the collective being one's own" shows it to be similar to rural household contract responsibility systems. The problem lies in wrongly estimating leasing conditions, the actual results of dealings possibly very greatly exceeding leasing quotas, the excess naturally reverting to the lessor, which may possibly lead to conflicts between the lessor and staff members and workers as to the distribution of earnings. Of course, this conflict can be solved as the system is gradually perfected, and since this form of operation can be put into practice only in small enterprises, the social disturbance caused will be relatively small."

The director of the Developmental Research Office of the Economics Institute, He Jiacheng [0149 1367 2052], who was sitting to one side added: "There is also another problem of to whom does the lessor's property right to re-invest

belong after a profit has been made? If you agree that it belongs to the lessor, then production rights may gradually undergo change; if you do not agree, then the lessor's re-investment will be adversely affected, and this will hurt enthusiasm for the enterprise's long-term development. This is indeed a theoretical dilemma.

"Contract System Short-term Benefits Are Remarkable; However, This is Only a Transitional Form"

"Contract systems are fairly complex, because there are so many forms of them." Dong Fureng began counting on his fingers. "There is handing-over-of-profits incremental increase contracting, and two guarantees and one link or two contracts and two links. There is also slight profit and loss enterprise profit contracting, reduction of losses contracting, and industry input-output contracting. These are all contracting systems in which profits retained by enterprises are linked in various ways to the realization of profits and taxes or technical transformation. Contracts may be divided into two categories. One is enterprise contracting, all remaining after fulfillment of state quotas being kept by the enterprise. The other is operator contracting, retained profits being divided up proportionally.

"The advantage of a contract system lies in its being relatively clear-cut and relatively simple to operate. Both enterprises and individuals are able to experience very clearly the advantages they receive. The income of the plant manager cannot be very high; consequently relations between operators and staff members and workers are easy to handle; dovetailing with existing systems is very readily done; and implementation costs are relatively low. A look at the situation in pilot projects shows short-term results to have also been fairly marked.

"Nevertheless, quite a few problems also exist in contract systems. One such is that the contract system is still implemented through the mechanism of bargaining between operators or enterprises and the state, the former doing all possible to beat down the contract base figures and conceal production potential, while the state does just the opposite. Furthermore, every enterprise has to bargain with the state. Should conditions in the enterprise change, if the enterprise or the operator feel it is in their interest, they continue to work; if there is no benefit, they reopen the bargaining. Consequently, although contracts once made continue without change for several years; since conditions change constantly in a several year period, there has to be constant bargaining. Since contracting is not done on the basis of an objective evaluation of contracting conditions and an enterprise's potential, enterprises do some finagling. Enterprises did the same thing during the command plan period. Is there something you would like to say Jiacheng?"

He Jiacheng explained further, "The issues that Director Dong just talked about include problems in two regards. One is that a look at 8 years of reforms shows that the central government has never been able to outmaneuver local governments, local governments have been unable to outmaneuver enterprises, and it has been very easy for local governments or enterprises to play tricks or finagle matters. In the end it is the state that loses, and this leads to problems in the state treasury being able to carry the burden.

Second, the contract base figures hinge on enterprises' bargaining skill. Enterprises with strong bargaining skill are winners; those with poor bargaining skill are losers, giving rise to a new imbalance among enterprises."

As he listened, Dong Fureng kept nodding his head, and then continued with the second problem existing in the contract system. "The contract system binds enterprises very lightly." He asked and answered questions rhetorically in a very anxious manner. "What's to be done when there's a loss? The only restraint that the contract system exerts on enterprises or operators is that you get more if you do a good job, and you get less if you do a bad job. It lacks the mortgaging of property of the leasing system, and the restraints of the mechanism whereby you have to "cough up" if you do a bad job. Finding ways to overcome the tendency toward short-term behavior on the part of enterprises under the contract system is the third problem with the contract system. Nobody cares any further once contracting enterprises have fulfilled the tasks set forth in contracts. The state has control only in the form of the distribution percentages for three funds, and operators are fully able to use up retained profits by distributing them as bonuses and then get a loan for investment purposes. Consequently, the risk of bringing about an inflation of investment and consumption is substantial. Fourth, though there are diverse forms of contracting, in a certain sense all of them are restricted to use within a certain sphere. They are frequently used to produce goods in short supply, in enterprises that have guaranteed markets for their products, in new enterprises in which technical transformation costs are low and pressures slight, and in enterprises with a rather high amount of command plan jobs since sources of raw and processed materials are available. Yet another problem is that under the contract system, it is not possible to change the operating mechanism within enterprises very well. For these reasons, the contract system is merely a transitional form.

#### "Assets Increase Responsibility Systems Are A Fundamental Transformation in the Enterprise System

The third kind of model for enterprise reform, a comparison of two operating responsibility systems, formed the high point of Dong Fureng's talk. "Operating responsibility systems may be divided into two kinds. One is the enterprise operating responsibility system, and the other is the assets operating responsibility system. I don't know much about the first one, so I'll talk mostly about the second one.

"Assets operating responsibility systems are a very valuable line of thinking. This line of thinking has the following several advantages both in theory and in practice: a. It changes the situation of bargaining between enterprises and government. It uses mutual competition among bidders and a proper objective appraisal of enterprises' potential and assets. The more bidders and the more accurate the appraisals, the more benefit for the tapping of enterprises' potential, thereby making up for market shortcomings. For example, a beverage plant in Wuhan had been losing money. At the beginning, the government agency responsible estimated a minimum bid of only 2.5 million yuan for it, but the minimum bid made by bidders was 3 million yuan, and the bidder who finally got the bid made a bid of 3.6 million yuan. b. A body of personnel with the skill

to operate enterprises emerges as a result of this system. These people may very well become the country's first generation of enterprisers. The government agency responsible sent these bidders who failed to get the bid but who possessed operating skills to other plants as plant managers. In this sense, this plan helps bring to light and promote the rational movement of talent at the managerial level. c. The position of the successful bidder is different after the successful bid. Many successful bidders have said that the government wanted me to become a plant manager yesterday, but this was not what I really wanted to do, so it would not matter whether I did a good job or a bad job. Today things are different. This is what I want to do. I won in competition and I can stand tall, but there is a lot of pressure too. It matters whether I do a good job or a bad job, so I have an extremely strong fighting spirit. There have been some results in overcoming short-term behavior, and it has been particularly possible to control effectively the avid desire to invest. After a bidder on the Xiangtan Diesel Engine Plant made a successful bid, he no longer pushed for 600,000 yuan in loans, something that had rarely been done in the past. Nevertheless the benefits derived from controlling the inflation of consumption in this way are not yet manifest. In order to stir the enthusiasm of staff members and workers, operators have to apply benefit inducements in a short period of time, and they offer too many. This occasions a problem in that in dealing with relations between a successful bidder and producers, when duties are handed over to the successful bidder, the possibility of producing resistance within the enterprise still exists. e. As with leasing, assets operation responsibility systems help in the separation of government and enterprise responsibilities. Contracts are signed and have the force of law once notarized. Authorities in charge may not arbitrarily interfere directly. For this reason, this model helps change government conduct. At the same time, enterprises' ability to adapt to markets is also correspondingly brought into play."

At this point, Dong Fureng switched the conversation to another topic. "Quite a few problems exist in this model too. One is that calling for tenders and making bids in a social assessment is fairly complex to implement. During the implementation period, artificially restricted competition may come about leading to an inaccurate assessment. Possibly some standardized method may be found to simplify operating difficulties. This problem is related to the advantages of the method in that were there no calling for tenders and placing of bids, it would not be possible to gain benefits in bringing enterprisers to the fore and in promoting the flow of skilled people. Second, it is difficult for operators to sustain losses. Though there is pressure from the mortgaging of assets; nevertheless, in some cases in which losses having nothing to do with operators' abilities, in the end all that can be done is to shift the losses off on the state. There are always flaws, but this method is markedly superior to any other model.

#### "Owning of Shares By One Enterprise in Another Helps Develop Enterprise Groups"

"Finally, one kind is the stock share system. There is still some controversy about the stock share system per se. Stock share systems may be divided into two different kinds: In one kind, there are no shares held by private individuals. In the other kind, there are individual shares. If one enterprise

holds shares in another, they can try investing together or opening a new enterprise, and this can promote the lateral movement of capital, materials and skills, generating cooperation and the development of enterprise groups." His tone turned serious and solemn. "However, some places or enterprises have used the stock share system as a pretext to discount shares for state property at a low price for issuance to staff members and workers or to give away free of charge. In other cases, when dividends were paid, they were paid only on shares held by enterprises or individuals, but not on shares held by the state. This is tantamount to undermining the foundations of the country, and positively cannot be recommended. As to whether or not there should be stock shares, this is a question awaiting further study.

"Though roses are fine, it is too bad they have thorns." After hearing the above analysis by Dong Fureng, I couldn't help thinking this. Faced with the new situation of diverse models for reform of state-owned enterprises, or the ways of thinking that come tumbling forth, Dong Fureng maintains that the key lies in continuing to compare, study and explore to find one or several standard effective models so long as socialist public ownership is maintained. He emphasized, "None of the various models has been tested for long; thus, one can neither affirm one nor deny another in making comparisons and studying, or when emphasizing standardization. All models and trains of thought have a certain value, and all have to be developed and perfected in the course of practice with pilot projects, attention being given at the time of implementation to the study of various conditions needed in order to determine whether or not they will solve current problems in the country's enterprise system, and what beneficial results or problems may be generated after implementation. At the same time, attention has to be given to learning lessons from and comparing international experiences.

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**PRC PAPER ON REFORM OF RENMINBI EXCHANGE RATE**

HK301520 Shanghai SHIJIE JINJI DAOBAO in Chinese 1 Jun 87 pp 10-11

[Article by Wu Nianlu (0702 1819 76127) and Zhang Ying (1728 4481): "Reform of the Renminbi Exchange Rate: Results, Influence, and Countermeasures"--Full text to be published in GUOJI WENTI YANJIU No 8--the article is published here in a slightly abridged form)

[Text] Since 1981, to conform with the need of economic structural reform in our country and the implementation of the policy of enlivening the domestic economy and opening up to the outside world, a series of reforms have been carried out with regard to the exchange rate of the renminbi: the dual exchange rate implemented from early 1981 to the end of 1984, the unitary exchange rate implemented since 1985, and the two drops in exchange rate. What results have been obtained? What influence has it had? It is necessary to reconsider these issues in order to make a further policy decision.

**I. A Comment on Various Measures Taken To Reform the Exchange Rate of the Renminbi****1. The implementation of the policy for the internal quoting price.**

Since 1979, our country has carried out the reform in the structural system of foreign trade. Foreign trade, which was formerly monopolized by the state, has not been decentralized, and is being run by various institutions. The jurisdiction of localities for export has been expanded. Economic accounting of enterprises responsible for foreign trade has been strengthened in order to make up the deficits incurred in the exports of enterprises. In the meantime, imports have been restricted, and commodity prices at home are stabilized. On the basis of relying on export to earn foreign exchange in addition to rational profit, our internal quoting price in trade was: \$1 was equal to 2.80 yuan. The decision was implemented on a trial basis as of 1 January 1981. For nontrade purposes, the exchange rate was based on the listed price announced by the Bank of China. In 1981, \$1 was equal to 1.53 yuan. A dual exchange rate system was thus formed.

Owing to the internal quoting price, the exchange rate of the U.S. dollar against Renminbi actually dropped from \$1 to 1.53 yuan to \$1 to 2.80 yuan. At that time, due to the fact that price levels at home were comparatively stable, the exchange rate of the greenback was rising, and the world

economy was recovering from crisis, and that some comparatively strict administrative measures were taken to control foreign exchange, judging from international revenues and expenditures as a whole, the dual exchange rate system did play a certain role in encouraging exports and restricting imports. Therefore, foreign exchange reserves rapidly increased.

However, judging from the structure of the balance of international payments, there were some defects in the implementation of the dual exchange rate system. 1) As far as export was concerned, due to different varieties of commodity export prices and monolithic subsidies in the foreign exchange rate, the internal quoting price brought substantial profits to products with lower costs in terms of foreign exchange. But the losses on commodities with higher costs in terms of foreign exchange were not significantly reduced. 2) As far as import was concerned, due to the fact that the commodity import price was different from the internal allocation price, the Ministry of Foreign Relations and Trade suffered losses in import rather than making profits. With regard to the import of some raw and processed materials, facilities and other necessary products, the government increased its financial subsidies because of the increase in import costs. As for chemical fiber products and home appliances, it was difficult to restrict their import because great profits could be obtained from their import due to great price differences at home and abroad. 3) In the nontrade field, due to the fact that there was a wide gap between the open exchange rate and the internal quoting price, Overseas Chinese and their relatives, and Hong Kong and Macao compatriots were compelled to "send goods rather than sending remittances," or to "send foreign bank notes instead of a remittance. This affected our income from overseas remittances.

In addition, sometimes it was difficult to strictly differentiate between the two exchange rates. This caused confusion in the management of foreign exchange. Due to the fact that the distinction was not sufficiently clear, units concerned vied with one another to use the internal quoting price to handle nontrade foreign exchange, and foreign exchange provided by foreign investors. China was thus thrown into passivity in foreign financial relations.

We believe that the implementation of the dual exchange rate system needs certain historical conditions. When China had just begun implementing the policy of opening up to the outside world, the dual exchange rate system was not only a good way to strictly control foreign exchange, but was also a means for encouraging exports and restricting imports. It was a transition for the reform in exchange rate. The system played a certain historical role.

## 2. The implementation of unitary exchange rate system.

With the lapse of time, we discovered that there were more disadvantages than advantages in the implementation of the dual exchange rate system. With the continuous increase of the exchange rate of the greenback, the promulgated price of the Renminbi gradually declined, and it was close to the internal quoting price. As of 1 January 1985, we abrogated the internal quoting

price system for trade. We reintroduced the unitary exchange rate system. The unified exchange rate is: \$1 equals 2.80 yuan. Compared with the dual exchange rate system, we have found out the advantages of a unitary exchange rate system: 1) It is simple and easy to manage, and the defects of chaotic calculation due to blurred differentiation between the two exchange rate systems can thus be overcome. 2) It conforms with demands set by the IMF member states. 3) It is beneficial to maintaining the prestige and stability of the renminbi exchange rate. Therefore, it is necessary to carry out the reform of changing the dual exchange rate system into a unitary exchange rate system.

Over the past 2 years or so since the implementation of the unitary exchange rate system, the renminbi exchange rate dropped twice. On 30 October 1985, the exchange rate fell to \$1 to 3.20 yuan. On 5 July 1986, it dropped again to \$1 to 3.70 yuan.

The reasons for the two drops were, more or less, the same. They were mainly: 1) Due to the readjustment of commodity prices at home and competition among ports, the export cost in terms of foreign exchange successively increased. 2) Starting from the 4th quarter of 1984, credit at home was macroscopically out of control. Although control was exercised over credit in 1985, the rapid increase in investment and consumption demand had not yet been completely curbed. Price levels at home were rising, and the renminbi exchange rate was obviously overestimated. 3) The measures for control over foreign exchange were not forceful enough. 4) The domestic pricing system had not yet been straightened out. There was a great demand for imports, whereas exports stagnated. Foreign exchange reserves fell drastically.

The objectives for the two drops in the renminbi exchange rate were also, more or less, the same. They were mainly aimed at mitigating the influence of the overvalued renminbi exchange rate so that the exchange rate would play its fullest role as a lever to attain the objective of encouraging exports and restricting imports.

However, the methods adopted on the two occasions were not the same. The first drop was markedly reflected in the market quotation promulgated by the Foreign Exchange Administrative Bureau. From 1 January to 30 December 1985, the renminbi exchange rate against the greenback was slowly declining. During the second drop, things were different. From 30 October 1985 to 4 July 1986, the exchange rate was stable around the \$1 to 3.18 to 3.22 yuan mark. On 5 July, it suddenly dropped to the level of 3.70 yuan.

The background for the two drops in the exchange rate was not the same. The background for the first drop was: 1) Although the price of the greenback in 1985 increased first and declined later, the general level was still slightly high. 2) According to the internal quoting price system implemented as of 1 January 1981, the exchange rate for renminbi was \$1 to 2.80 yuan. The rate was actually maintained for 4 years and 10 months. The stronger and weaker regulating role of the exchange rate in imports and exports was already fully manifested. The background for the second drop was: 1) The greenback repeatedly declined. On 4 July 1986, the exchange rate of the greenback

against the Japanese yen and the mark dropped to \$1 equalling 160.9669 yen and 2.1728 marks respectively. 2) From the end of October 1985 to early July 1986, there was a comparatively short interval of only 8 months since the previous drop in the renminbi exchange rate.

We believe: a) The decline of exchange rate can play a regulating role in imports and exports, but there is a certain limit. In particular, in a country like ours mainly based on a planned economy where the information "feedback" mechanism is not sensitive enough, the readjusting role of the exchange rate is limited. If we merely rely on the continuous decline of the exchange rate to encourage exports and restrict imports, we can only get half the result with twice the effort, or obtain negative results. b) If the exchange rate for renminbi drops continuously, enterprises are liable to apply for the use of foreign exchange ahead of time, but delay the work of converting foreign exchange. This affects our country's administration of its foreign exchange. c) We basically use the U.S. dollar as a currency for quoted prices in our export trade. When the U.S. dollar is devaluing greatly against other Western currencies, the exchange rate of the Renminbi against the U.S. dollar also devalues by a big margin. Under such circumstances, some foreign trade companies will not actively strive for better transaction prices. They concentrate mainly on fulfilling their tasks, and on deriving benefits from the devaluation of the renminbi. This will affect our country revenues from exports. d) The price reform of the means of livelihood in our country has been basically carried out. However, price reform of the means of production has not yet begun. The continuous drop of the renminbi exchange rate and the major action taken in this regard will not help us to attain the desired objective. On the contrary, it will play a negative role. For example, excessively large financial subsidies, the increase of deficits, inflation and so on will adversely affect the mechanism of price reform. Although we believe that it was rational to lower the exchange rate from 2.80 to 3.20 yuan, a further drop from 3.20 yuan to 3.70 yuan was altogether too hasty.

## II. The Limitation of the Role of Forcing Down the Exchange Rate of Renminbi

1. The composition of our country's export commodities has restricted the role of forcing down the exchange rate in stimulating exports. Theoretically speaking, the devaluation of the currency of a country will make the export products of the country cheaper so that they can be more competitive on the international market. Exports can also be expanded because of this. However, the growth rate of exports should be larger than the rate of the reduction of the ex945,048:3 [as received]. Only thus can the total export volume of the country be increased. After the devaluation of the currency of a certain country, whether the export volume of the country can be increased. After the devaluation of the currency of a certain country, whether the export volume of the country can be increased is determined by the price elasticity of foreign countries for the demand of the commodities produced by the country. Our country's export composition has restricted the role of forcing the exchange rate down in stimulating exports. With regard to export in recent years, based on statistics issued by the Foreign Trade Ministry, the total average annual export amount in 1985 and 1986 increased by \$1.3 billion, lower than

the average growth rate of \$2.45 billion from 1979 to 1984. The continuous drop of exchange rate has intensified the competition of the exports of primary products with lower costs in terms of foreign exchange. This has worsened the composition of export commodities, and reduced the percentage of the export of industrial finished products.

2. The foreign trade and foreign exchange administrative system in our country has restricted the role of lowering the exchange rate in stimulating exports. At present, our foreign trade and export administrative system is characterized by mainly relying on mandatory planning while making guidance planning subsidiary. Some 79 percent of export must be exported regardless of costs in terms of foreign exchange. Owing to the unitary subsidiary system for export products and relevant decisions on export commodities, it is unavoidable to set different costs in terms of foreign exchange, and to provide different financial subsidies for different kinds of commodities. Therefore, under the present conditions of mandatory planning in China, the initial amount of costs in terms of foreign exchange is submitted by the State Planning Commission and Ministry of Foreign Economic Relations and Trade, and the Ministry of Finance approves the average total costs in terms of foreign exchange. After that, the Ministry of Foreign Economic Relations and Trade lists the costs in terms of foreign exchange in several main categories, or informs various affiliated companies and sections the costs in terms of foreign exchange for specific commodities. Various affiliated companies and sections buy and or sell commodities according to the approved costs in terms of foreign exchange. If emphasis is placed on exercising control over costs in terms of foreign exchange, it will be difficult to fulfill export plans. If emphasis is placed on the fulfillment of export plans, the approved costs in terms of foreign exchange has to be repeatedly readjusted. Therefore, foreign trade companies do not care about the exchange rate, but show concern for the higher or lower costs in terms of foreign exchange. Therefore, the exchange rate does not play a significant role in readjusting the exports covered by mandatory planning.

The exchange rate can only readjust the exports commodities not covered by mandatory planning, so that some enterprises that are solely responsible for their own profits and losses, and foreign companies in charge of exports will vie with one another to export products whose costs in terms of foreign exchange are lower than the exchange rate. Regulated prices in foreign exchange higher than the exchange rate has virtually become the aim of these enterprises of setting their costs in terms of foreign exchange. The differences in various localities and departments in terms of the retention of foreign exchange, and the rampant black market in foreign exchange add fuel to the flames, and accelerate unequal competition. Under the situation of unequal competition, to fulfill their plan, foreign trade companies whose exports are covered by the state plans cannot but participate in competition, and their costs in terms of foreign exchange become higher and higher. Such practices of forcing up commodity prices to rush for goods and underselling have aggravated the strain on commodity supply and the shortage of commodities. All this has caused structural inflation.

3. The decline in exchange rate can never restrict the quantity of our import products. Judging from the structure of our import commodities, we know that the price elasticity of our import commodities is comparatively small. In other words, under the conditions that the price of imported commodities remains unchanged in terms of foreign exchange, the exchange rate decline of renminbi means that the price of the imported commodities in terms of foreign exchange has risen. However, the quantity of imported commodities will not be reduced accordingly. According to statistics compiled in 1984, our import of industrial manufactured good accounted for 87.6 percent of total imports. Of this percentage, the import of chemical products, mechanical products, and so on accounted for 50 percent. Most of these products are products which are difficult to produce at home, but are urgently needed in economic construction. The successive decline in the renminbi exchange rate will not play a significant role in restricting imports. According statistics issued by the Ministry of Foreign Economic Relations and Trade, total imports in 1985 and 1986, the state's foreign exchange reserves had dropped to \$2.072 billion.

4. Decline of the exchange rate does not mean the reduction of financial subsidies. The excessively heavy burden of financial subsidies is mainly reflected in the following two aspects: 1) After the reduction of the exchange rate, exported products, which suffer from heavy losses, still need financial subsidies. The competition among primary products with lower costs in terms of foreign exchange becomes more acute. The fulfillment of export plans also needs financial subsidies; 2) Under the import administration system in our country where the Planning Commission makes initial plans, and the Ministry of Finance provides financial subsidies, and foreign trade companies carry out imports, our imports have turned from profits to losses since the implementation of the internal quoting price system in 1981. Under the conditions that the import amount and sales price at home remain unchanged, the further the exchange rate is dropped, the more financial subsidies are provided. Our import volume increases year by year. If the sales price at home remains unchanged, financial subsidies will be further increased. If the sales price at home increases, import-type inflation will be caused.

5. The continuous decline of renminbi will also affect non-trade income. Let us take tourism as an example. With the devaluation of the exchange rate, foreign exchange brought by tourists from abroad can be converted into more. If the level of commodity prices remains unchanged, the actual expenses of tourists in China drop in terms of foreign currency. Although the number of tourists has increased, the income in foreign exchange gained by tourism does not markedly rise. As far as income from remittances by Overseas Chinese is concerned, with the drop of the exchange rate, less remittance can be converted into the same amount of renminbi. If the expense in renminbi remains unchanged, the income from remittances by Overseas Chinese drops. In recent years, the economic income of our country has been declining. Of course, foreign exchange management is one reason for this.

To sum up, if we only rely on a fall in the exchange rate of renminbi to simulate the improvement of the international revenue and expenditures, the

role is limited. The work of forcing down the exchange rate should be carried out in conjunction with the reform in the administrative system of foreign trade and foreign exchange.

### III. Some Problems Which Are Worth Investigating

#### 1. The principle for fixing the rate of the renminbi.

Judging from the drop of the exchange rate of renminbi on previous occasion, we know that the export cost in terms of foreign exchange is the basis for fixing the level of exchange rate, and readjusting it. The internal quoting price system implemented in 1981 was based on costs in terms of foreign exchange in addition to certain business profits. The readjustment of the exchange rate in 1985 and 1986 was based on the fall in costs in terms of foreign exchange.

Theoretically speaking, we believe that fixing and readjusting the exchange rate for renminbi in accordance with the export costs in terms of foreign exchange is somewhat lopsided. This is because this method is only base don the single factor of export without considering import, non-trade revenues and expenditures, price systems at home and abroad, price structure, and so on, and their interaction. In practice it will be just a sham if we determine and readjust the renminbi exchange rate in accordance with the export costs in terms of foreign exchange, because it is not fully reflected by the true price level at home and circulation expenses. To a great extent, the factor of blind competition is involved in the export of foreign trade. This also means that the abnormal relations between supply and demand has distorted price. To readjust exchange rates in accordance with such prices can only give rise to rushing for goods at home at a higher price. Competitive selling a lower prices in foreign countries--increasing costs in terms of foreign exchange--forcing down the exchange rate--panic buying of goods, and competitive selling... will become a vicious cycle. It will not help the improvement of international revenues and expenditures. On the contrary, it will cause a great confusion in internal finance, commodity prices, and other economic fields. What is the principle which determines the fixing of the exchange rate level of renminbi? Theoretically speaking, the renminbi exchange rate between renminbi and foreign currency should be a ratio of their international magnitude of value. The exchange rate should truly reflect the price changes on both internal and external markets, and the price level of various countries, namely the level of purchasing power. We believe that such a price level should include trade, non-trade, labor service, and so on. Therefore, departments concerned should calculate the present various kinds of revenues and expenditures in foreign exchange, and the internal and external price ratio of the relevant commodities and labor service based on different weighted numbers (Jia quan shu 0502 2938 2422). We should do our best to get a unified ratio price which can reflect the reality more accurately. After setting the pattern for calculation, we should select some big cities at home and abroad, and regularly input figures which reflect the changes in various commodity prices so that we can get two curves. The first curve reflects the purchasing power of the people at home, whereas the second curve is a

comprehensive curve which reflects the purchasing power abroad. After that, we regularly compare the changes of these two curves in order to find a level which reflects the renminbi exchange rate more appropriately.

## 2. The problem of the readjustment of the renminbi exchange rate.

The readjustment of the exchange rate of renminbi covers the following two aspects: 1) The readjustment of the renminbi exchange rate level. In other words, the readjustment is carried out on the basis of the changes in the monetary purchasing power both at home and abroad. We should readjust the exchange rate level with great care. Whether we force it up or down, the interval should not be too short. The readjustment should preferably be carried out at one go. It is no good readjusting it gradually. 2) Regular readjustment of the renminbi exchange rate. Due to the fact that the main Western countries follow a floating exchange rate system, their exchange rates change constantly. Renminbi is not pegged to a certain kind of currency to move up or down. It is linked to a basket of currencies so that its stability can be maintained. There occurs the problem of determining the basket of currencies and the constant readjustment of the exchange rate of the renminbi. When determining the weighted proportion of the basket of currency, the weighted proportion of the countries, which have close trade relations without country, should be greater. The weighted proportion of various kinds of currency should not be kept unchanged for a long time. It should be changed in accordance with the development of bilateral trade, the status of the currency on international financial markets, and China's political and economic policies for foreign countries. The regular readjustment of the exchange rate should not be too frequent either. While carrying out regular readjustment, we should constantly pay attention to the changes in the exchange rate level to avoid too great a deviation. If the deviations are too great, we should either change the weighted proportion, or readjust the exchange rate level in a lump.

## 3. The exchange rate level of renminbi should be slightly overrated.

Due to the fact that renminbi cannot be freely converted into other currency, our country can only adopt a fixed exchange rate system. We are unable to follow a free and floating exchange rate system determined by the supply and demand on foreign exchange markets. therefore, we can only relatively and temporarily retain the rational exchange rate level of renminbi. The overrating or underrating of the exchange rate for renminbi is absolute and constant.

Although the exchange rate has been forced down thrice since 1981, the economic circles still generally believe that its exchange rate is still overrated. Does this mean that continuing to force it down is the only way out? Judging from the analysis mentioned above, we know that the effect of forcing the exchange rate down is limited. According to the marginal-utility decreasing law, the negative role of continuing to force it down might probably exceed the positive role. According to some comments by figures in the economic circles in foreign countries, the role of devaluing the exchange

rate of renminbi has reached its limit. Therefore, it is unwise to continue to force the exchange rate down because doing so can only passively reflect the incessant increase in the costs in terms of foreign exchange. Although price reform for means of production is being carried out, properly lowering the exchange rate is not the only alternative. It is a wise act to slightly overrule the exchange rate of renminbi through the efforts made in the following aspects so that the rise and fall of the exchange rate will not become an increasingly serious matter: 1) We should carry out an in-depth reform in foreign trade system, strengthen lateral links aimed at strengthening exports, eliminate blind competition among exports, make more efforts to improve foreign trade management and economic accounting, and lower costs in terms of foreign exchange for export commodities. 2) We should speed up technical reform, promote the enhancement of labor productivity, upgrade export commodities, and improve the quality and packing of export commodities. Through such economic levers as refunding export duties, preferential loans, and so on, we should improve the composition of export commodities. 3) We should strengthen macroscopic control over monetary credits, reduce inflation, and curb general demand for investment and consumption. In so doing, we will be able to control inflation and soaring commodity prices at home.

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CSO: 4006/792

**HUBEI LEADER ON CHECKING UPWARD TREND OF PRICES**

HK290807 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 27 Jun 87

[Excerpt] During this afternoon's mobilization meeting of our province's price inspection teams, Duan Yongkang, Standing Committee member of the provincial party committee and vice governor of the provincial government, announced the decision of the provincial party committee and provincial government to conduct general price inspections throughout the province and to send inspection teams to check on and supervise market prices. The inspection teams will leave for different prefectures and cities within a few days to carry out the work.

Duan Yongkang noted: Since the beginning of this year, some areas of our province have had relatively more rises in the prices of vegetables and of aquatic foods and other live foodstuffs, thus creating complaints among our urban residents. In addition, our peasants have (?many) complaints about agricultural production materials being in short supply as well as about the high and chaotically set prices of agricultural production materials. Moreover, our enterprises and people cannot afford a multitude of charges.

Duan Yongkang added: Our leaders at all levels should attach great importance to these issues. To meet the demands made by the vast numbers of the people, the provincial party committee and provincial government have decided to promptly conduct general inspections throughout the province for the purpose of (?improving) our province's management of commodity prices, checking the unhealthy practice of arbitrarily raising prices and collecting fees, and putting an end to the evil practice of infringing upon the interests of the masses in this regard.

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**BRIEFS**

**QINGHAI RETAIL SALES**--From January to May this year, the total volume of retail sales in Qinghai Province reached 896.23 million yuan, an increase of 19.65 percent as compared with the same period last year; the province's supply of chemical fertilizers increased by 19.77 percent as compared with the same period last year; the supply of agricultural chemicals increased by 7.26 percent as compared with the same period last year; and the institutional retail sales volume increased by 8.8 percent as compared with the same period last year. In addition, due to the serious shortage of color television sets, the province's stock of color television sets during the January-May period this year dropped 77 percent as compared with the same period last year. [Summary] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 24 Jun 87 HK] /12232

**QINGHAI AGRICULTURAL BANKS' LOANS**--During the January-May period this year, the commercial loans for collectives and the industrial and commercial loans for individual operators as provided by Qinghai Province's agricultural banks at all levels totaled 7.66 million yuan, in support of the multiform and multichannel development of commodity economy in the rural areas of the province. [Summary] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 24 Jun 87 HK] /12232

CSO: 4006/792

**GUANGDONG ENACTS NEW MEASURES TO ENCOURAGE FOREIGN INVESTMENT**

Guangzhou NANFANG RIBAO in Chinese 2 May 87 p 2

[Text] Article 1 These Regulations are formulated to further the success of enterprises with foreign investment in Guangdong. They are based on the "Provisions of the State Council for Encouraging Foreign Investment" and take into consideration the specific circumstances in the province with its special policies and flexible measures.

Article 2 Enterprises with foreign investment referred to in these provisions include Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises that comply with relevant State Council regulations.

Article 3 Negotiations, contract signing, and contract implementation relating to foreign investment projects as well as inquiries and complaints by foreign investors shall be dealt with centrally by foreign economic relations and trade commissions (bureaus) at various levels.

The production, operation, and management of enterprises with foreign investment shall be overseen by functional departments at all levels, depending on the industry or trade the enterprise in question belongs to. All departments shall conscientiously strengthen guidance, service, coordination, and supervision over enterprises with foreign investment in their respective jurisdictions. Departments directly in charge of such enterprises, in particular, shall discharge their guidance, service, and managerial responsibilities effectively and solve practical problems in production and operations earnestly.

Article 4 The departments shall handle examination and approval matters more efficiently. Project proposals from foreign investors shall be approved within 30 days in accordance with existing examination and approval jurisdiction. The feasibility report, contract, and articles of association of an enterprise with foreign investment shall be examined and approved within 30 days. Certification shall be issued within 10 days.

Export-oriented enterprises and technologically advanced enterprises under a municipality or prefecture shall be examined and approved by the appropriate municipal (prefectural) foreign economic relations and trade commission in

consultation with the proper department. Enterprises under Guangdong Province shall be reviewed by the provincial department or bureau in charge. Their applications shall then be forwarded to the provincial Foreign Economic Relations and Trade Commission for approval, upon which certification shall be issued. Special economic zones [SEZs], economic and technical development zones, cities with province-level economic decision-making authority, and Hainan Dao shall review foreign investment proposals within their own jurisdictions and issue certification. They shall file reports on the projects with the provincial Foreign Economic Relations and Trade Commission. Special economic zones and economic and technical development zones shall send reports to the provincial Special Economic Zones Office as well.

Article 5 People's governments and departments at all levels shall protect enterprises with foreign investment effectively and adopt scientific management in international use.

Within the scope of their approved contracts, enterprises with foreign investment shall have the right by themselves to raise funds, to use funds, to determine production and operations plans, to produce raw materials, and to sell products.

The products of enterprises with foreign investment, except for those under central price control, shall be priced at the discretion of the enterprises.

Enterprises shall have the right to recruit, employ, reward, impose sanctions on, and dismiss workers. They shall determine by themselves the wage levels, the forms of wages, and bonus and allowance systems, and shall be exempt from the bonus tax.

Article 6 The board of directors and management office of an enterprise with foreign investment must be strengthened. The relations between the two parties to a joint venture shall be handled properly in accordance with the "Regulations for the Implementation of the Law on Sino-foreign Joint Ventures." All major production, operation, and personnel decisions shall be made by the board through discussion. Management personnel on both sides shall discharge their responsibilities in accordance with the articles of association and shall be protected by administrative and managerial departments in the appropriate locality.

Article 7 The economic results and financial management standard of enterprises with foreign investment shall be improved. Finance and tax departments at all levels shall urge and assist licensed enterprises with foreign investment already in business to set up or improve their accounting systems and submit their accounting forms on time. The incomes and expenditures of the overseas branches and business points of an enterprise shall be reported to the head office as scheduled. The enterprise shall exercise financial supervision over its overseas branches and business points.

Finance departments at all levels shall organize and supervise accounting offices and examine the finances and check the books of enterprises with foreign investment diligently. The capitalization of both parties in an enterprise with foreign investment that has been licensed and is already in

business shall be examined in a timely way. When there are circumstances in an enterprise that are inconsistent with relevant state laws and regulations or violate the agreement (contract), it shall be required to eliminate them by a set date.

Article 8 Fees and charges imposed on enterprises with foreign investment by localities and departments on their own shall immediately be overhauled in the spirit of Circular 49 (1986) of the State Council and Circular 126 (1986) of the People's Government of Guangdong Province. Fees inconsistent with the circulars shall be abolished. Enterprises have the right to refuse to pay unreasonable charges and appeal to the foreign economic relations and trade commission (bureau).

Article 9 An enterprise with foreign investment may arrange the export of its products directly or export by consignment to foreign trade companies authorized to export, in which case the foreign exchange earned shall accrue to the enterprise, which shall also be responsible for losses. Alternatively, it may arrange for foreign trade departments to procure its products, paid for in Renminbi, in which case they shall be treated as a domestic enterprise for the purpose of foreign exchange distribution. Enterprises with foreign investment may accept processing orders from foreign trade departments and thus expand their export revenues. They may also accept export-oriented processing and assembling orders from other companies, having considered their own production conditions and marketing channels.

The department in charge shall examine and approve the exports of enterprises with foreign investment and shall report them to the local and provincial foreign economic relations and trade commission (bureau) for record purposes. Foreign economic relations and trade departments shall be responsible for foreign trade policies and provide export direction guidance.

Article 10 For products of enterprise with foreign investment that require an export license, an application for such a license shall be made every 5 months in accordance with the annual export plan in the approved agreement (contract) of the enterprise. Products manufactured under an agreement (contract) approved and signed before the license system came into effect shall be exported in accordance with the original agreement (contract). In the future, approval by the provincial Foreign Economic Relations and Trade Commission is required before export agreements (contracts) are signed regarding commodities in the export license and quota system.

With the approval of the provincial Foreign Economic Relations and Trade Commission, exports manufactured by enterprises with foreign investment shall be given priority in receiving export quotas, provided that their quality and grade are clearly superior to those of their domestic counterparts and that they command higher prices overseas and earn more foreign exchange for the state.

Article 11 Foreign trade companies and industry and trade companies shall cooperate with and lend mutual support to enterprises with foreign investment. Foreign trade companies may use foreign capital on their own to set up joint-stock companies or purchase shares in an existing enterprise with foreign

investment. The foreign exchange thus derived from the enterprise shall constitute fulfillment of their export and foreign exchange-earning duties.

Article 12 Enterprises with foreign investment shall be permitted to set up their own raw material bases inside China and may operate such bases jointly with domestic enterprises, transcending administrative jurisdictional divisions. The costs of the products may be calculated in Renminbi and, in part, in foreign exchange, which shall be included in the enterprises' foreign exchange costs.

Article 13 Domestic products shall replace imports. Domestic enterprises shall give preference to products made by enterprises with foreign investment that match similar imported products in quality and standards and are priced right and delivered on time. Import substitution shall be considered the fulfillment of their export commitments by enterprises with foreign investment and the fulfillment of their import commitments by domestic enterprises.

Article 14 When an enterprise cannot export and earn foreign exchange because of internal operational problems, the department in charge shall supervise it in taking measures to resolve the problems within a specified time. Foreign investment projects in energy, transportation, communications, and medicine shall do their best to balance their foreign exchange accounts. Where assistance from the department in charge or local authorities is required, application shall be obtained before contracts are signed with a foreign party.

Article 15 Under the supervision of the foreign exchange control departments, enterprises with foreign investment may mutually adjust their foreign exchange surpluses and deficits among one another.

Article 16 When they temporarily experience difficulties in balancing their foreign exchange accounts, projects that import advanced technology with foreign capital and projects in energy, transportation, or communications may use the marketing relations of their foreign partners to procure domestic products with Renminbi for export as a form of comprehensive compensation. This shall be done by presenting their shipping lists and with the approval of the provincial Foreign Economic Relations and Trade Commission, provided that export and foreign exchange tasks set by the state and the province will not be affected.

Article 17 Export-oriented enterprises and technologically advanced enterprises shall be exempt from local income tax as long as they pay reduced enterprise income tax or are exempt from it in accordance with state provisions. After this period expires, technologically advanced enterprises may extend for 3 years the payment of local income tax at half the regular rate. In addition, state provisions allow them to pay enterprise income tax at half the regular rate for 3 years. After the expiration of the period for the reduction or exemption of enterprise income tax and local income tax in accordance with state provisions and these regulations, export-oriented enterprises whose value of export products in a year amounts to 70 percent or more of the value of their total output, may be exempt from local income tax

or pay local income tax at reduced rates, in addition to paying the enterprise income tax at half the regular rate.

Article 18 Sino-foreign joint ventures in counties in the mountain areas shall be exempt from local income tax. Where the partnership exceeds 10 years, they shall be exempt from income tax for 2 years, pay income tax at half the regular rate for 3 years, and enjoy a 30 percent reduction in the tax rate for the next 10 years. Regulations governing income tax reduction and exemption for Sino-foreign joint ventures shall be applied to Sino-foreign contract joint ventures in the mountain counties. As for their local income tax, the "Suggestions Concerning the Reduction and Exemption of Local Income Tax of Sino-Foreign Joint Ventures in Guangdong," transmitted by the Office of the People's Government of Guangdong (Circular 157 (1985) of the Office of the People's Government of Guangdong,) shall apply.

Export products of Sino-foreign joint ventures and Sino-foreign contractual joint ventures in the counties in the mountains shall be exempt from the consolidated industrial and commercial tax if they meet criteria set by the state. Where the contractual joint venture will stay in business for more than 10 years, its products sold domestically, except for sugar, tobacco, liquors, watches, television sets, and videocassette recorders, shall be exempt from the consolidated industrial and commercial tax for 2 years after it goes into production, provided permission has been obtained from the tax department. Should the joint venture experiences real difficulties at the end of 2 years, it may apply for tax reduction or exemption for a set period.

Article 19 Export products of enterprises with foreign investment, except for crude oil, finished oil, and other products subject to special state provisions, shall be exempt from the consolidated industrial and commercial tax.

Article 20 Export-oriented enterprises and technologically advanced enterprises, except for those located in busy urban areas of large and medium-sized cities, shall be exempt from site use fees for a set number of years, depending on the local conditions. After the expiration of the period of exemption, site use fees shall be computed on a basis of not more than three yuan per square meter per year.

Article 21 Export-oriented enterprises and technologically advanced enterprises, upon application to and examination by the bank with which they have accounts, shall be given priority in receiving loans for short-term revolving funds needed for production and distribution, as well as for other needed credit.

The Guangzhou branch of the Bank of China may borrow from the Bank of China Group in Hong Kong and other overseas financial institutions or raise funds jointly to make foreign exchange loans to enterprises with foreign investment in Guangdong.

Article 22 With the approval of the department in charge and the permission of the provincial People's Bank, Sino-foreign joint ventures and contractual joint ventures may issue stocks and bonds. Detailed stock-issue methods shall

be consistent with the "Provisional Regulations of the Province of Guangdong Governing Stocks and Bonds" approved by the People's Government of Guangdong.

The Bank of China and other financial institutions may grant Renminbi loans secured by foreign exchange and other loans secured by property to enterprises with foreign investment. Other forms of fund-raising services in use internationally may also be used.

**Article 23** To improve the supply of production materials to enterprises with foreign investment, cities with a concentration of such enterprises may set up supply centers for enterprises with foreign investment and materials markets to coordinate and organize material circulation among production, foreign trade, commerce, and material departments. Their scope of operations may include domestic and imported materials and import substitutes. The customs department shall step up supervision and control over imported materials. After they are sold, taxes may be levied, reduced, or waived in accordance with state provisions depending on the varying conditions of the user units.

**Article 24** Materials and commerce departments at all levels shall accord enterprises with foreign investment the same treatment as state-owned enterprises as far as the supply and prices of means of production are concerned. The prices of imported materials shall be computed by adding a reasonable fee to the costs of importation.

Electricity and fuels departments as well as departments in charge of industry at all levels in all localities shall take effective measures to improve energy supply to enterprises with foreign investment. Water and electricity charges and transportation and communications fees shall be computed and charged in accordance with criteria applicable to local state enterprises. Fuels that an enterprise with foreign investment needs to generate electricity on its own in order to fulfill its export contract do not require examination and approval and are exempt from the requirement for import licenses. The customs department shall exercise supervision and control and shall inspect and release them on the basis of the enterprise contract or import-export contract.

**Article 25** Senior management personnel assigned to enterprises with foreign investment by the Chinese side shall be knowledgeable about state laws and policies and well versed in the business concerned, possess managerial abilities, and can cooperate and work with foreign businessmen. In general they shall not be part-timers, unless where specific permission has been granted. An assessment system shall be set up and their tour of duty shall be fixed. Those with outstanding performance during their tour of duty may be reappointed. Others who are not equal to their tasks shall be dismissed.

**Article 26** Departments in charge of enterprises of foreign investment shall strengthen their management of the selection, evaluation, promotion, grading, and compensation of cadres assigned to the enterprises. Where a large number of such enterprises congregate, machinery shall be set up to manage Chinese cadres in these enterprises. Alternatively, personnel may be specifically put in charge of this task. Detailed uniform methods shall be drawn up separately.

**Article 27** The training center for foreign economic relations and trade personnel under the provincial Foreign Economic Relations and Trade Commission shall produce professionals in management, foreign sales, and finance and accounting geared to the characteristics of enterprises with foreign investment. The localities, relevant bureaus or departments, and industries shall do likewise on their own.

**Article 28** Labor departments at all levels shall improve labor management in enterprises with foreign investment in accordance with the "Labor Management Regulations for Sino-foreign Contractual Joint Ventures," respect the enterprises' personnel autonomy, and assist them with recruitment and hiring. Where technical workers required by an enterprise with foreign investment are not locally available, outside recruitment may take place with the permission of the local labor department as well as that of the labor department in the municipality (prefecture) where it is located. When an enterprise must recruit outside the province, the permission of the provincial Labor Department is required. The original work units of workers recruited by an enterprise with foreign investment shall agree to their relocation. Labor disputes shall be arbitrated by the labor department in the area where the enterprise concerned is located.

**Article 29** For enterprises financed and established by companies, enterprises, and other economic organizations or individuals from Hong Kong, Macao, or Taiwan, matters shall be handled by reference to these provisions.

**Article 30** These provisions shall go into effect on the date of issue.

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CSO: 4006/733

**NEI MONGOL HOLDS FAMILY PLANNING WORK CONFERENCE**

SK2901113 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 26 Jun 87

[Excerpt] On the evening of 25 June, the regional government held a regional family planning work telephone conference. Regional Vice Chairman Zhao Zhihong delivered a speech, in which he pointed out: Compared with the corresponding period last year, the region's population increased by nearly 5,000 in the 1st quarter of this year. When allowing for reasonable factors, unplanned births were very serious. Therefore, the focus of our future work is still to strictly control unplanned second births and multiple births, and continue to advocate the policy of one child per couple.

Zhao Zhihong stressed: Since the national family planning work conference, our region's family planning situation has been good, and the population has developed basically according to plan. The tasks for family planning work, however, remain very arduous. Because we have entered the peak birth period, the region's population began to rise in 1986, and the upward trend continued in the 1st quarter of this year. During the period when the population was growing, unplanned births were very serious. Some localities failed to adopt effective measures to deal with unplanned second births. They failed to strictly implement policies, conduct meticulous ideological work, and work out technical measures. Therefore, it is necessary for them to step up their work. At present a task of top priority is to implement the population plan at every level and resolutely carry out the current birth policies.

Zhao Zhihong emphasized: We should continue to advocate the policy of one child per child couple in both the urban and rural areas. We should not deviate from this policy. We should work out arrangements for the rural people, who have real difficulties and are entitled to planned preferential treatment, to have second births in a planned manner according to their actual conditions. Unplanned second births and multiple births must be banned. Restrictive measures should be worked out and implemented to deal with those who persist in giving unplanned births despite ideological work so that we can win the trust of the people.

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**FARMLAND LOSS, RECLAMATION BALANCE ASSESSED**

Dalian ZIRAN ZIYUAN [NATURAL RESOURCES] in Chinese No 1 Mar 87 pp 1-6,26

[Article by Chen Guonan [7115 0948 0589], Chinese Academy of Sciences and State Planning Commission Natural Resources Composite Factfinding Committee: "Possible Changes in China's Farmland Resources By the Year 2000 and Countermeasures" (Footnote 1) ("Guidance was obtained from Comrade Shi Yulin [4258 3768 2651] in the course of writing this article for which gratitude is expressed")]

[Text] Farmland is the source of an overwhelming majority of China's grain, pulses, vegetables, and melons, and for 95 percent of its meat, a substantial portion of the raw materials used in light industry, as well as the fuel, fodder, and fertilizer used in rural villages. It is also the utilization lectotype for energy-conversion efficiency and maximum load among the country's land resources at the present time. Though hills, mountains and high plateaus occupy 70 percent of the country's total land area, an enormous potential remains in the development of mountainlands for use, and even though the area of China's natural grasslands is more than triple the farmland area, for a long time to come the position and role of the land as the nation's most important resource will remain unshakable and irreplaceable. Therefore, study of the present state and trends of change of cultivated land, in order to better adopt appropriate countermeasures and to protect and make rational use of farmland resources so that they play a greater role, is an enduring task for China.

**I. Present State and Characteristics of Farmland Resources****1. Small Amount of Farmland Per Capita**

According to 1982 statistics, China has 1.48 billion mu of farmland, (Footnote 2) ("Land Control Bureau of the Ministry of Agriculture, Animal Husbandry, and Fishery: Preliminary Study of Predicted Changes in Land Use in China by the Year 2000, 1984) and the extrapolation of detailed survey data on land resources during the past several years shows the amount of farmland to be between approximately 2 billion and 2.1 billion mu. This is only 2 mu of farmland per capita, lower than the world average figure (5.5 mu). A comparison with 76 countries of the world (having a land area of more than 100,000 sq km) shows the per capita farmland area in China to be higher than

for Japan, Saudi Arabia, Egypt, Indonesia, and the DPRK, ranking approximately eighth from the bottom.

## 2. Substantial Amount of Farmland of Rather Poor Quality

A survey of 670 million mu of farmland in 901 counties (Footnote 3) (*Ibid.*) shows 31 percent to be eroded in varying degrees; 5 percent to be desertified, 6 percent to be damaged by salinization and alkalinization, 3 percent to be gleyed wetlands, and 9 percent to be prone to waterlogging. In addition, "use only without nurture," or "much use and little nurture" as well as pollution of the land by the "three wastes" [waste water, waste gas, and industrial residues] has posed or is in process of posing a serious threat to farmland quality.

## 3. Yields at a Fairly High Level, but Unevenness in Farmland Productivity

According to 1982 statistics, the country's grainfields produced 315 kg of grain per mu (an actual yield of between 200 and 225 kg per mu). Yields of grain per mu in 1983 were between 15 and 20 kg higher than in 1982. Even in terms of actual grain yields per mu, this is vastly greater than the world average yield (the 1980 world average for cereal crops being 141 kg per mu), placing China at the middle to high level in the world.

As a result of the pressure of population increase, two extremes have occurred in the productivity of China's farmland. On the one hand, people have tried to increase yields on the limited farmland and have produced yields far higher than those of developed nations of the world on large tracts of cultivated land. South of the Qinling and the Huai He, in Yunnan and Guizhou, and to the east of the western Sichuan Plateau, there are more than 500 million mu of farmland (on an actual area of approximately 700 million mu) where grain yields in 1982 were greater than 500 kg per mu (actual yields per mu of more than 400 kg). This included a harvest of two crops of rice from approximately 160 million mu located on plains and in river valley basins, which had many three-crop fields and higher productivity than fields located elsewhere. Actual yields from three-crop fields were more than 750 kg per mu. In 1979, for example, yields from Shanghai grain fields averaged 817 kg per mu, and in the Hangzhou-Jiaxing lake district, yields averaged 788 kg per mu (all of which were statistical yields per mu). Yields from the two-crop rice and wheat fields that cover a large area of the northern subtropics were no less than from the fields that produced two crops of rice, and yields were more consistent. In addition, places like Yanshan, the plain at the foothills of the Taihang Shan, the Shandong Promontory, the plain in the lower reaches of the Liao He, the central Shaanxi Plain, the Yinchuan Plain, and the Hexi Corridor are large-area, high-yield grain belts. The peasants have also increased grain output by bringing under cultivation large amounts of steep slopes, land prone to desertification, waterlogged lowlying areas, and saline areas formerly unsuited for agricultural production, as a result of which farmland of relatively low productivity has become nearly half of the country's total farmland area, which greatly limits a further rise in the productivity of farmland. Because of the abominable natural conditions prevailing for this type of farmland, yields are extraordinarily low. The cultivated slopes of the loess highlands, the zhuang [2326] soil of Gansu and

Wingxia, and the windblown cultivated fields of Nei Monggol produce yields of only several dozen kg for the entire year.

#### 4. Insufficient Farmland Reserves

Ours is an ancient agricultural nation in which farming has an almost 10,000-year history of development. Virtually all of the land is in use, so reserves reclaimable for cultivation are extremely limited. Study shows reclaimable reserves of land resources suitable for growing farm crops, manmade pasturelands or economic forests to be approximately 530 million mu. Approximately half of this is located in pastoral regions and is suitable for reclamation for the growing of fodder and feed grasses. Approximately 60 million mu is located in the country's southern mountain and hill regions, and should be used mostly for the growing of fruit trees and economic forest trees. The remaining more than 200 million mu can be reclaimed for farming. This more than 200 million mu of wasteland suitable for farming is located primarily in the northeast, in the eastern part of Hulun Buir League in Nei Monggol, in the Xinjiang Autonomous Region, and on seacoast beaches.

### II. Forecast of Changes in Farmland by the Year 2000

For many years, the amount of China's farmland has declined steadily as a result of takeovers for the building of cities and towns, and as a result of erosion, desertification, and salinization. In particular, takeovers of cultivated land for the building of cities and towns, and for transportation and energy facilities has been extremely serious. In view of the large-scale expansion currently underway in the building of the nation's economy, the continuing increase in population, requirements for a further rise in the standard of living, requirements for improvement of the ecological environment and the lack of farmland reserves, the overall trend in development of the country's farmland is toward continued decline. Over the long range, this is an irreversible trend of development.

Analysis of existing data obtained from various sources shows the following changes will take place in the country's farmland by the year 2000:

#### 1. Continued Increase in Land Use for the Building of Cities and Towns and for Industry and Transportation

As population increases and the economy develops, the trend is toward expansion of urban areas. In 1949, the population of China's cities and towns was 57.65 million. By 1982, it had increased to 211.54 million in a 3.7-fold increase, resulting in a manifold increase in the use of land for cities. Take Tianjin, for example where the builtup urban area was 61 sq km during the period immediately following liberation, the per capita amount of land being 37 square meters. By 1980, the builtup area had increased to 160.9 sq km, or 53.2 square meters per capita. A survey of land use in 236 cities conducted by the Urban Planning Bureau of the Ministry of Urban and Rural Construction and Environmental Protection shows the amount of urban land per capita as approximately 74 square meters. The amount is somewhat higher in northern cities and somewhat lower in southern cities. As a result of continued growth of the urban population, improvement in living conditions and in municipal

government facilities, as well as the development of industry, urban land use will continue to increase. A case in point is Shanghai where land use averages 29 square meters per capita, far lower than the national average. According to Shanghai city plans, by the end of the present century, the urban core will have expanded to 119 sq km, or the equivalent of 180,000 mu of land (figured in terms of an average 60-percent reclamation rate). With the building of coal bases in Shanxi Province, by the year 2000 there will be a decrease of between 8 and 12 million mu, at minimum, in the amount of farmland.

In rural villages, thanks to the increase in population and a rise in the standard of living, the area used for commune-member dwellings is also increasing greatly. A rural dwelling survey conducted in Huangling County, Shaanxi showed a 0.8-fold increase in agricultural population between 1949 and 1982 and a 3.6-fold increase in the area occupied by dwellings, the amount of dwelling space increasing from 28 square meters per capita in 1949 to 70.2 square meters in 1982. City and town planning departments in Hebei Province predict that at least 4 percent of peasant households will have to build houses each year, or a total of approximately 440,000 households for the province as a whole. If 20 percent of the households take over farmland to build houses, and each household takes 0.3 mu of land, the amount of farmland taken over in the province will amount to 26,000 mu each year. The rapid development of commune and brigade enterprises since the 1970's has taken over a large amount of farmland. The emergence in the 1980's of specialized households and key households has necessitated an increase in the area used for dwellings to serve as houses in which production can be carried out. With development of the rural commodity economy, this trend is bound to continue. With improvement in rural economic conditions during the past several years, there is evidence in some places of a large increase in the use of land for businesses and for the building of cultural, educational, medical, and S&T. A survey of land use in 16 county rural residential areas shows between 200 and 266 square meters of land per capita of agricultural population used in areas, and this will increase to a certain extent.

It has been estimated that use of land for transportation in China has increased by about 20 million mu since liberation; however, the transportation system is still relatively backward considering the vast size and the population of the country. Estimates call for an even faster future increase in the future than during the past 30 years, including the use of some farmland.

It has been estimated that more than 200,000 mu of land per year has been taken over by the mining industry, including the metallurgy, coal mining, petroleum, nonferrous metals, building materials, and chemical industries, and that the amount will increase in the future.

## 2. More Increase in Use of Land for Construction of Water Conservancy

Following liberation, a very great expansion took place in the building of water conservancy. A total of 86,000 new large, medium, and small reservoirs and 6.4 million dammed ponds were constructed throughout the country. The effectively irrigated area rose from the 240 million mu of 1949 to the current approximately 700 million mu. No systematic data are available about land use for water conservancy, but estimates made from statistics on the amount of farmland flooded as a result of the building of large reservoirs, and a representative sampling of both the amount of land flooded by the building of medium-size and small reservoirs and dammed ponds and the amount of land occupied by irrigation ditches shows approximately 50 million mu of cultivated land as having been used, which is to say 0.09 mu used for each mu added to the effectively irrigated area. Land takeovers for the building of water conservancy will also increase in the future as, for example, the Three Gorges Reservoir, which will flood at least 680,000 mu. On the basis of plans for the building of water conservancy for the whole country, by the year 2000 the effectively irrigated area nationwide will reach 820 million mu. When the land used for water conservancy projects to improve urban water supplies and to prevent flooding and drain waterlogging is added to this, it is estimated that by 2000, 25 million mu of land will be taken over for new water conservancy, 15 million mu of it farmland.

## 3. Some Farmland To Be Used for the Building of Shelter Forests on Plains

At a 5-percent plan rate for shelter forests for farmland on plains, 60 million mu will be taken over. In addition to the setting up of shelter forests along roads and ditches and in stretches that have already been greened, some farmland will be taken over.

## 4. Some Reduction in Farmland as a Result of Its Removal From Cultivation for Reversion to Forests and Pastureland

Some of the country's farmland is found on steep slopes, in lowlying areas and on land prone to desertification where farming is nonintensive and productivity is very low because of the abominable environmental conditions. This land should be phased out of cultivation and returned to forests or pasturelands. Most such farmland is concentrated in three large tracts as follows: (a) Desertified areas where farm and pasturelands are adjacent to each other. (Footnote 3) (Ibid.) This includes 67 million mu of cultivated land in 81 counties and municipalities where desertification of cultivated land is extremely serious. Studies show that in areas where desertification is currently taking place, 25 percent of the land should be withdrawn from cultivation; where desertification is progressing rapidly, 50 percent should be withdrawn from cultivation; and in seriously desertified areas, between 60 and 70 percent should be withdrawn from cultivation. Withdrawal from cultivation of 25 percent would mean the loss of a more than 20 million mu of cultivated land area, including 13 million mu of desertified land and steep slopes in Nei Monggol, and 3 million mu of desertified land and 400,000 mu of steep slopes (with a gradient greater than 25 degrees) in Liaoning, which should be withdrawn from cultivation. (b) The loess plateau hill and ravine area, including 62 counties having 120 million mu of farmland, between 60

million and 84 million mu of which should be withdrawn from cultivation according to studies. (c) Three provinces in southwestern China including Guizhou with 28.54 million mu of farmland, 20 percent of which is on steep slopes with a gradient of more than 35 degrees. In Sichuan with more than 100 million mu of farmland, 22 percent is found on steep slopes with a gradient of more than 30 degrees. In Yunnan too, 50 percent of the drylands should be withdrawn from cultivation. Rough statistics on the aforementioned three large tracts alone amount to between 120 million and 140 million mu of farmland. Studies also show that the country has 100 million mu of cultivated land on slopes with a gradient of more than 25 degrees.

##### 5. Increase in Area From Clearing Wasteland To Expand Farmland

Statistics show that between 1948 and 1980, a total of 510 million mu (actual estimate was approximately 700 million to 800 million mu) as having been cleared, including the reclamation of 8 million mu of ocean. This was a period unprecedented for the scale of wasteland reclamation that played no small role in ameliorating the country's conflict between a large population and a small amount of land and in increasing the gross output of agriculture. However, virtually all readily reclaimable land has been reclaimed by now, so further reclamation will be more difficult; greater investment will be required, and speed will be increasingly slow. Nevertheless, in order to ameliorate the conflict between a large population and little farmland, it is extremely necessary to make active efforts to reclaim some reclaimable wasteland suitable for agriculture to make up for the insufficiency of farmland.

As was said above, if use of land for the building of cities and towns and for industries and transportation increases slightly over the amount of land taken over for capital construction in 1982, (according to 1982 statistics, the amount of farmland in the country declined by 12.94 million mu. This included 908,000 mu taken for state capital construction projects and 1.16 million mu taken for commune and brigade capital construction projects. It was a relatively low year for land takeovers in recent years), and is held at approximately 3 million mu per year for a total of 55 million mu, with an additional 15 million mu being required for water conservancy, more than 100 million mu removed from cultivation, and shelter forests taking an additional amount, the reduction in the amount of farmland by the year 2000 may be controlled within 200 million mu. With the addition of slightly more than 100 million mu of newly reclaimed land, by 2000 the amount of farmland can be maintained at approximately 1.9 billion mu. Given a population of 1.2 billion at the time, there will be approximately 1.6 mu of farmland per capita. If efforts to control farmland takeovers for capital construction and the building of rural houses are not vigorous, possibly the reduction in the amount of farmland will be more than 300 million mu or a decrease of between 16 million and 18 million mu each year. By 2000 the amount of farmland and the per capita farmland area will have declined to 1.8 billion mu and 1.5 mu, respectively. In view of the current situation in actual land takeovers and the trend of developments, the latter outcome is entirely possible.

### III. Effects of a Decline in the Amount of Farmland

A decline in the absolute amount of land and the per capita amount of land will have a serious affect on the building of the national economy, on raising the standard of living, and especially on the balance between supply and demand for grain. A moderate 400 kg per capita of grain will require 480 billion kg by 2000. Extrapolation on the basis of the percentage of land growing grain in 1982 (75.9 percent) produces a decline to between 1.37 billion and 1.44 billion mu (actual area) or to between 970 million and 1.05 billion mu (statistical area) in the grain-growing area by 2000. Grain yields will have to reach between 333.5 and 350.5 kg per mu (on the basis of actual area yields for 1982 of approximately 229.5 kg per mu) or between 457 and 495 kg per mu (on the basis of statistical area yields for 1982 of 315 kg per mu). This means that grain yields will have to increase by between 5.8 and 6.7 kg per mu per year (for the actual area) or 7.9 to 10 kg per mu (for the statistical area) in order to reach the goal of a gross output of 480 billion kg. On the basis of what the writer knows about the condition of cultivated land in all jurisdictions and about current yields per unit of area, and from analysis of the technical levels attainable, reaching the aforestated yields will be no easy matter.

1. A look at grain yields around the world shows only a few countries, including Japan and Holland, as producing more than 350 kg per mu. The United Kingdom and France get close to more than 300 kg per mu. Once Japan achieved a yield of 242.5 kg per mu in 1955, it took another 18 years to reach 356 kg in 1973, making Japan one of the countries with the most rapid increase. However, during the past 10 years, yields have risen and fallen, the lowest being 323 kg, and halted at 355 kg in 1981. After achieving a yield of 232.5 kg per mu in 1967, France attained its highest yield only 13 years later in 1980 with 323.5 kg. In 1981, the yield was only 306 kg. The highest yield for West Germany after the 232 kg of 1960 was 305 kg in 1978, which took 18 years to attain. As a result of the control exercised by the laws of value, these countries rarely use land for farming that has serious limitations; therefore, the quality of their farmland is markedly superior to ours, and this gap will be very difficult to close rapidly at least during the present century, demonstrating the difficulty of achieving the aforestated yields in China by the year 2000.

2. Analysis of the high-yield areas of Shanghai, the Chaozhou-Shantou Plain, and Shijiazhuang shows that once grain yields reach a certain level, the speed of increase slows and fluctuates up and down. A case in point is Shanghai whose grain yields averaged 699 kg for the 5-year period 1974 through 1978 and 710.5 kg for the 5-year period 1979 through 1983, a rise of only 11.5 kg for a 1.69 percent increase. However, during the same period, the national average increase in yields was 57 kg for a 23.41 percent increase. For some provinces, the speed of increase was even faster, as in Liaoning and Shandong where the rate of increase was more than 40 percent.

3. A substantial potential for increase exists in medium- and low-yield areas; however, limiting factors are fairly numerous and the amount of investment required fairly high. Increases in grain yields for the country as a whole were very great from 1981 through 1983, gross output rising to 60

billion kg, a yield increase of more than 50 kg (statistical area) occasioned mostly by very great increases in yields from medium- and low-yield fields. However, this rise was mainly in the nature of a recovery inasmuch as there had been no qualitative change in production conditions. It should be said that a considerable potential still exists for increasing yields in these medium- and low-yield areas through further improvements, increase in investment and a rise in the level of farming; however, certain production conditions cannot be changed in a short period of time over a wide area. In northeast China, in Xinjiang, and in the northern part of Nei Monggol, for example, the amount of heat is a limitation; for dryland crops in north China, moisture is a limitation; on the low plains of the Huang, the Huai and the Hai, waterlogging and salinization is a limitation; and in mountain regions, the slope of fields is a limitation. Therefore, given the current level of technology, a rise in the ability of medium- and low-yield fields to produce is certainly limited.

4. Implementation of responsibility systems during the past several years stirred peasant enthusiasm, with grain yields increasing from the 274 kg per mu of 1978 to around 340 kg per mu in 1983. With the elimination of non-productive factors in farmland, yields also reached approximately 250 kg per mu, which is close to the world advanced level. Inasmuch as approximately half of China's farmland is of poor quality, one might say that its grain yields have attained a fairly high level. Further increase in grain output is fraught with difficulties; future grain yield increases will be determined largely by improved production conditions and increased investment.

5. Analysis of the main conditions involved in increasing grain production shows the multiple-cropping system and the extension of water conservancy to be the fundamental reason why farmland in some areas (notably in the northeast and particularly in the south) produces yields far higher than from the same kind of soil elsewhere in the world. However, the irrigation rate and the multiple-cropping index for China's farmland are currently fairly high, holding a leading position in the world. Though there is room for further increases, potential is fairly limited. Yet another material condition in increasing grain output is input of chemical fertilizer. In 1979, China applied chemical fertilizer at the rate of 7.3 kg per mu (10.3 kg per mu in 1982), which was more than the world average of 5.2 kg, and on a par with the United States. However, in comparison with Europe and Japan, considering the actual farmland area and the substantial area of multiple cropping, a fairly great potential remains for increased applications of chemical fertilizer. If the 29.7 kg per mu of chemical fertilizer used in Japan in 1978 to produce a yield of 369.5 kg per mu is taken as the amount of chemical fertilizer to be used in China to produce grain yields of 350 kg per mu in 2000, a total of 53.37 million tons (net amount and the same applies hereinafter) will be required at that time, a 2.5-fold increase over the 15.13 million tons of chemical fertilizer used in 1982. If the 19.8 kg per mu of chemical fertilizer used in the United Kingdom and France in 1978 to produce yields of 309 kg and 302.5 kg, respectively, is taken as the amount of chemical fertilizer to be used in China to produce grain yields of 350 kg per mu in 2000, a total of 37.62 million tons, or a 1.5-fold increase over the present amount will be required.

In summary, as a result of population growth and the contraction of the cultivated land area, and particularly the turning of large tracts of fine fields to nonagricultural uses, the conflict among population, cultivated land, and grain imbalance will tend to become sharp. Unless vigorous policy actions are taken to control population and protect farmland, it will be difficult to escape from the predicament of grain supply-and-demand problems.

#### IV. Countermeasures and Measures

It is clear from the foregoing that the farmland problems that China will face in 2000 are extremely serious ones. Clearly, it is not possible to slow the speed of economic development in order to retain more cultivated land. Instead, it is necessary to focus on the present state of land resources and future trends toward change for the adoption of active and reliable countermeasures. In recent years, those concerned have conducted numerous studies and have proposed quite a few good strategies on the trend toward steady decline in the country's farmland and its effect. Examples have been the concepts of "large-scale agriculture," and "large-scale grain production" to increase yields through intensive farming, and the use of unplowed land. This article discusses this problem further from the standpoints of area balance, balance among multiple ways, and overall balance.

For the nation as a whole, increase in demand (primarily demand for food) and rise in the productivity of farmland should be kept basically in balance, each jurisdiction establishing various kinds of balance between farmland and demand as its own situation warrants.

1. Maintenance of a general balance between the amount of land taken over for city and town construction and the new reclamation of wastelands suitable for farming. Heilongjiang, Nei Monggol, Xinjiang, Ningxia, and Gansu have substantial areas of wasteland that could be reclaimed. Not only could such reclamation make up for the farmland lost to the area for construction, but some net increase in farmland would be possible. This could play a decisive role in the stabilization of the amount of farmland nationally. Ample attention should be given to land reclamation in the aforementioned areas. Gradual reclamation should go hand in hand with the prevention of arbitrary takeovers of cultivated land; otherwise, an amount of land equivalent to the newly reclaimed land might gradually be consumed in local takeovers of land to expand construction. Such was the case in Heilongjiang in 1982 when farmland decreased by 2.1 million mu. Were such a speed of decrease in farmland to be maintained, by the year 2000 farmland could decrease by 37.8 million mu, which would approximate or exceed the total amount of land reclaimed.

In places that do not have a large amount of reclaimable land, but in which there is some potential such as the 10 coastal provinces plus Jiangxi and Yunnan, every effort should be made to maintain balance between "land takeovers and reclamation." In Jiangsu Province, for example, it is estimated that reclamation of coastal shallows alone will produce 3.6 million mu for a net increase of approximately 2 million mu of farmland. At the mouth of the Zhu Jiang in Guangdong Province, nearly 1 million mu in area can be reclaimed within a short period of time. The conflict between a large population and little land is more prominent in coastal areas than inland. In southern

coastal areas, in particular, wresting land from the sea by reclaiming sea shallows is even more important.

In the hill regions of the south lie 60 million mu of wasteland suitable for agriculture, most of it located in foothills and on gentle slopes. Generally speaking, it is best suited to the growing of economic forests and fruit trees. However, when a substantial imbalance between population and cultivated land occurs, some good-quality wasteland may be reclaimed for farming. It can serve as a "second reserve" to be used when necessary and when economic conditions permit.

Since reserve farmland is relatively scarce, necessary actions must be taken to strictly control takeovers of farmland.

- a) The state should be in control of the planning of land utilization and the amount of farmland to be taken over, annually handing down norms to be followed at each level in land takeovers. Distribution of norms should be set on the basis of population, industry, and the average per capita land area used for living in each area, GVIO, and profit. Norms should not be exceeded, and units or individuals that take over or destroy farmland illegally should not only be punished, but should be ordered to give it back within a limited period of time and to restore its productivity.
  - b) A land-takeover tax should be collected for investment in the reclamation of wasteland.
  - c) In areas that have wasteland, when rural villages take over farmland to build houses, for each mu of land taken over, a mu of land should be reclaimed and put in condition by way of compensation.
  - d) Encouragement should be given to those who are "near mountains to take over mountains, and those who are near the sea to take over beachlands." Many of the country's cities, towns, and rural villages are close to mountains or the sea. The spread into flatlands by residents of such areas should be strictly controlled, and new factories should also be built on non-agricultural land such as mountain slopes and sea beaches insofar as possible. Special preference in taxes, the price of land, and land area should be accorded those who build on mountain slopes and beaches.
  - e) Serious attention should be given to restoration of the land. There are more than 1,500 open pit mines under jurisdiction of central government bodies alone, and these mines plus slag from coal mines take up an estimated 20 million to 30 million mu of land, a very large portion of which is farmland. Government should decree the restoration of mining land, thereby reviving some farmland.
2. Maintenance of basic balance between the amount of loss of fine farmland near inhabited areas and the amount of newly created consistently high-yield field and basic farmland. When cities and towns take over land for construction, it is the fine fields in the surrounding area that are first to feel the impact. Usually the productivity of these fine fields cannot be matched by an equal amount of newly created farmland. In the Tai Hu area, for

example, the takeover of 1 mu of fine farmland was tantamount to taking away the livelihood of two people. Even the reclamation of 3 to 5 mu of wasteland could scarcely make up for the loss, yet 65,000 mu of fine fields are "disappearing" annually in the Tai Hu area. Therefore, serious attention must continue to be given to the capital construction of farmland to increase the percentage of consistently high-yielding fields and basic fields.

3. Maintenance of a definite balance between decrease in farmland (or grainfield area) and increased multiple cropping (or multiple cropping of grain) by increasing the multiple-cropping index. The multiple-cropping index for China today is 147 percent. The maximum was 155 percent in 1977. The multiple-cropping index is already very high, but a definite potential still exists in certain areas. In several southern provinces, the multiple-cropping index is still relatively low. Examples are Fujian, Guangdong, and Guangxi where an increase in the multiple-cropping index to that of Hunan and Jiangxi provinces (230 percent), and an increase in the multiple-cropping index of Yunnan and Guizhou to that of Sichuan (185 percent) would add approximately 70 million mu to the multiple-cropped area. If the multiple-cropping index in Shandong, Hebei, and Tianjin could be increased to that of Beijing (151 percent), approximately 30 million mu would be added to the multiple-cropped area. If the amount of land on fallow rotation in Heilongjiang, Nei Monggol, Xizang, Gansu, Qinghai, Ningxia, and Xinjiang could be reduced, approximately 10 million-odd mu could be added to the growing area. The total of more than 110 million mu from the three sources could increase the multiple-cropping index for the whole country by approximately 8 percent.

The ratio of area in grain to cash crops is gradually becoming rational after several years of readjustment. Overall, the ratio should be stabilized at the present level. By so doing, the grain-growing area could be maintained at approximately 1.7 billion mu despite decline in the farmland area. The multiple-cropping index for grain could be increased to 163 percent, and the farmland multiple-cropping index would reach 158 percent.

4. Maintenance of balance between the amount of farm crops lost through the withdrawal of land from cultivation and the amount of increase resulting from the capital construction of farmland. By the year 2000, approximately 100 million mu of farmland will have been withdrawn from cultivation and restored to forests or pastureland. Though this will reduce grain output somewhat, it will also markedly improve the country's farmland ecological system, increase farmland productivity, and promote development of forestry and animal husbandry. The speed of a given area's withdrawal of land from cultivation will be determined by the speed with which basic farmland is built and its quality. Experiences in quite a few places shows that if a firm grip is taken on the building of basic farmland, not only will there be no decline in gross output of grain, but a tremendous increase may take place. Such was the case for Benkang Village in Qinhe Township, Yulin County where 686 mu of basic farmland was built on river flats. Gross output of grain increased 74 percent over what it had been before reclamation and yields rose 207 percent, thereby making possible the withdrawal from cultivation of 49 percent of the former farmland that was desertified.

Many areas have fine conditions for the withdrawal of land from cultivation. In Nei Monggol there is 13 million mu of desertified land and steep slopes that should be withdrawn from cultivation; however, 25 million mu of savannah and river flats is available for reclamation, and conditions exist for the building of consistently high-yielding basic farmland. Though little wasteland is available for reclamation in Sichuan, Guizhou, and Guangxi provinces, a substantial potential exists for increasing yields. This is particularly true of Guizhou and Guangxi, where it is entirely possible to make up for losses resulting from taking land out of cultivation through increases in yields.

In addition to the foregoing "bootstrap" countermoves for maintaining balance, some "semiopen" countermoves can be used as a supplement. The per capita amount of farmland is small in China. In southeastern coastal areas, in particular, farmland is overloaded (farmland being less than 0.5 to 0.6 mu per capita). By following a course of protection and rational use of the country's valuable farmland resources, some coastal cities having requisite conditions, such as the 14 port cities newly opened to the outside world by the central government, could allocate some grainfields to the growing of crops of economic value that could be exported. At the same time, a policy requiring these cities to solve their own grain problem (mostly through grain imports) could be instituted thereby greatly reducing pressure on the soil to meet grain needs. Statistics show a population totaling 47.46 million in these 14 port cities plus the formerly opened four special economic zones, of which 23.45 million is an urban population amounting to 11 percent of the country's city and town population. At a rate of 400 kg of grain per capita, these cities have to provide 9.4 billion kg of grain annually, the equivalent of the 1977 state requisition grain purchases from 116 counties in the country's 7 commodity grain bases, namely the Tai Hu Plain, the Zhuijiang Delta, the Chengdu Plain, the Dongting Hu Plain, the Jianghan Plain, the Jianghuai region, and the Boyang Hu Plain. Clearly, if these cities' need for grain could be satisfied through foreign imports, the country's grain problem would be substantially ameliorated. Of course, there are a series of other problems in the importation of grain by coastal cities that require thorough consideration. Even if this strategy is feasible, it will still be necessary to control strictly the speed of farmland takeovers in order to avoid converting cash-crop land to the growing of grain should the international situation or markets change suddenly.

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9432  
CSO:4011/26

**INCREASING GRAIN OUTPUT IN NORTHEAST**

Shenyang DONGBEI JINGJI BAO in Chinese 7 Apr 87 p 1

[Text] Premier Zhao Ziyang elevated grain production to an important position in his government work report to the Fifth Session of the Sixth National People's Congress a few days ago.

The northeast is a key grain-producing region in China. Not only does its output account for a substantial share of the national total, but it also contains a high percentage of commodity grain, something other regions cannot replace. Thus the drive in the northeast to increase output has significant implications for the steady and sustained development of the entire national economy and industrial and agricultural production.

Despite a variety of natural disasters, the northeast economic region reaped a good harvest in 1986, smaller only than the bumper crop of 1984 and the second best year on record. Region-wide, grain output reached 46.5 billion kilograms, over-fulfilling the contractual procurement commitments with the state and meeting the needs of domestic sales and export and the demand of the food and other industries that use processed food products as their raw materials. This is a major achievement in agricultural production.

Under the Seventh 5-Year Plan, grain output in the northeast economic region must reach 55 billion kilograms in 1990. State guidance planning calls for an increase of between 4 and 5 percent this year over 1986, a daunting assignment indeed. If the leadership goes after it aggressively, the parties concerned work hard to mobilize the enthusiasm of the vast number of peasants for grain cultivation so that regional grain output exceeds 50 billion kilograms, approximating the level achieved in 1984-51 billion kilograms, that will be a vital contribution to the national economy as a whole.

Needless to say, we should open our eyes to the fact that there are still many constraints on substantial increases in grain output; the rising prices of all agricultural means of production have added to the burden of agricultural production and hence affected the enthusiasm of peasants and grain-producing areas to increase output. Excessive capital construction (including rural housing construction), and the lack of sound planning have resulted in extensive wanton occupation of farmland. For the region as a whole, 1 million mu of farmland are lost each year. (In 1985, 500,000 mu were lost in Liaoning

Province alone.) This is a direct threat to grain production. Agricultural reforms now in existence fall far short of what is needed. In the absence of new inputs in farmland capital construction, water conservancy works have fallen into disrepair for years and the capacity of agriculture to withstand disasters remains fragile. With no ecological protection, soil erosion is spreading; the land is farmed without being maintained. As the content of organic matter in the soil decreases, soil fertility declines. The overuse of inorganic fertilizers has resulted in hardened and impervious soil. So on and so forth. Some of these unfavorable factors are the consequence of erroneous and bad policies made in the course of agricultural development. Others flow from a failure as yet to straighten out a number of policies and economic relations, which has damped the enthusiasm of peasants and grain-producing areas, with a depressing effect on grain output increases.

The spring plowing season of 1987 has arrived. Whether or not grain output can top 50 billion kilograms this year will depend on whether leaders at various levels really put the issue of increasing grain output on the agenda. If they tackle it like industry and capital construction, conduct in-depth studies, and address problems in agricultural production in earnest, it is entirely possible to increase grain output beyond 50 billion kilograms.

To achieve this goal, the most basic thing is to arouse the enthusiasm of the masses of peasants and all sectors and trades in the grain-producing areas. What this takes is policies that offer tangible benefits to people who work the land and unravel a number of economic relations unfavorable to the effort to increase grain output. Grain procurement prices, price ratios between grain and various cash crops, the prices of agricultural means of production, the price ratios of industrial and agricultural products--all of that should be adjusted properly in a way that will not overburden the peasants or the rural economy. Only policies that benefit both the people and nation can produce high returns. Otherwise, the general interest will suffer.

Similarly, the adoption of science and technology is vital to raising the standard of intensive agriculture. For instance, the breeding and dissemination of good varieties, the expansion of cover areas, and the use of organic fertilizers are all effective methods.

There has been a drop in inputs in agricultural production in the past several years. During the First 5-Year Plan, agricultural investments constituted more than 10 percent of total capital construction investments. By the Sixth 5-Year Plan and the beginning of the Seventh 5-Year Plan, it has dropped to 5 or 6 percent. This is an abnormal trend. In a large country like ours with a huge population, little land, and a low per capita grain consumption rate, agriculture should be a leading recipient of construction funds. It is especially critical that the state maintains inputs at a certain level. In the northeast, farmland water conservancy on the three river plains, the treatment of Liao He, Songhua Jiang, and Nen Jiang basins, the transformation of vast stretches of low-yield land, the expansion of small-scale farmland water conservancy works, and the systematic reclamation of wasteland where appropriate and where conditions allow in order to increase the area under cultivation--all these strategic measures will do much to tap agricultural

potential and increase grain output. State and local inputs in these areas are badly needed.

In short, while there are constraints on the plan of the state to increase grain output in the northeast to more than 50 billion kilograms this year, it is entirely within reach as long as we seriously address the problems in agricultural production and do a good job where it really matters. Let us labor long and hard for it.

12581  
CSO: 4006/713

**HE KANG PROPOSES NINE MEASURES TO ENSURE AGRICULTURAL GROWTH**

Shenyang DONGBEI JINGJI BAO in Chinese 18 Apr 87 p 1

[Text] In a recent speech, He Kang [0149 1660], the minister of agriculture, animal husbandry, and fishery, stressed that agriculture must enter a new stage. He has proposed nine measures.

1. Continue to make reform more thoroughgoing by, among other things, implementing, coordinating, and perfecting existing reform measures. At the same time, tackle the development of multi-level, multi-form socialized services in different economies as a priority in the furthering of rural reform. Make circulation system reform in the countryside a success. Unclog circulation channels. Promote economic cooperation and invigorate the rural commodity economy.
2. Continue to adjust the prices of products vigorously and cautiously. Gradually overhaul the purchase and selling system as it affects major agricultural products. Put together a sound price system for agricultural products. Narrow the price scissors between industrial and agricultural products in order to increase peasants' interest in investing in agriculture.
3. Step up high tech research, including agricultural scientific research and biotechnology research. Accelerate the dissemination of applied agricultural technology. Strive to increase the per unit area yields and quality of crops, such as grain. Ten pieces of applied technology have been identified for dissemination in the near future and an implementation plan is being drawn up. An agricultural technology dissemination fund will be established. "Harvest awards" will be given out to encourage and reward individuals and units for their outstanding performance in disseminating new agricultural technology.
4. Intensify agricultural education and technological training to expand the ranks of scientific personnel in rural areas.
5. Strictly limit the occupation of land for non-agricultural purposes. Transform low- and medium-yield land. Bring land under cultivation methodically, rationally, and scientifically.
6. Further adjust rural economic structure. On the premise that we tackle grain production aggressively and successfully, we should exert ourselves to

transfer an additional 100 million workers from agriculture to other industries, at the same time encouraging intensive cultivation and basic farmland improvement and channelling part of the labor force into forestry, animal husbandry, side-line business, and fishery.

7. Strengthen agriculture-related industrial development. In particular, new progress must be made in the farm chemical and farm machinery industries and in rural electrification.

8. Satisfy the food and clothing needs of people in impoverished areas and develop these areas without delay. Meet the food and clothing needs of people in the most poverty-stricken areas in the next 5 years and develop impoverished areas in general within 10 years.

9. Speed up external agricultural exchange and cooperation. Import agricultural technology, equipment, and funds.

12581  
CSO: 4006/713

STATE EDUCATION COMMISSION ISSUES PROVISIONS ON STUDY ABROAD

OW131200 Beijing XINHUA Domestic Service in Chinese 0526 GMF 10 Jun 87

[Text] Beijing, 10 Jun (XINHUA)--With the approval of the party Central Committee and the State Council, the State Education Commission recently decided to make public "Certain Interim Provisions of the State Education Commission on the Work of Sending Personnel To Study Abroad."

The CPC Central Committee and the State Council last year specifically discussed the work of sending personnel to study abroad. The party Central Committee and the State Council hold that since the 3d Plenary Session of the 11th CPC Central Committee, China has made great achievements in sending personnel to study abroad in various forms, and the practice must be firmly continued in the future because it completely conforms to our long-term policy of opening to the outside world. In order to make the work of sending personnel to study abroad meet the needs of our country's four modernizations, the party Central Committee and the State Council have instructed the departments concerned and the Chinese embassies and consulates abroad to actively improve the work on the principle of summing up experience, promoting what is beneficial, and eliminating what is harmful. They have also entrusted the State Education Commission with the work of sending personnel to study abroad.

Following the instructions of the party Central Committee and the State Council, the State Education Commission has formulated certain interim provisions on the work of sending personnel to study abroad and begun to implement the provisions since December last year. The contents of the provisions are as follows:

I. Guiding Principles for the Work of Sending Personnel To Study Abroad

1. To send Chinese citizens to study in institutions of higher learning and research organizations in foreign countries through various channels and in various forms is a component part of China's policy of opening to the outside world. The practice is an important way to learn advanced science and technology, applicable economic and administrative management experience, and other useful knowledge from foreign countries, and to train our highly specialized personnel. It helps develop friendship and exchanges between the Chinese people and the people of other countries. Therefore, we must continue, for a long time to come, the practice of sending personnel to study

abroad in various forms in a planned way to meet the needs of our building socialist material and spiritual civilizations.

2. The work of sending personnel to study abroad should consider the realities of our socialist modernization program and meet the needs of our domestic production and construction, scientific research, and personnel training so as to solve the important questions concerning scientific research and production and enhance our ability to train highly specialized personnel.

3. The work of sending personnel to study abroad should be done on the principle of learning the strong points of foreign countries. While we must study basic sciences as well as applied science and engineering, emphasis should be placed on the latter at present. Attention should be paid to the needs of developing our country's vocational and technical education.

4. Personnel should be sent to study abroad according to needs; quality should be ensured; study should be coordinated with application; management and education of personnel studying abroad should be improved; and efforts should be made to create the necessary conditions for personnel studying abroad to apply what they have learned and play a positive role in China's socialist modernization after they return home.

5. Personnel studying abroad must abide by the relevant laws and regulations of China as well as the laws of the country where they study. They must respect the customs, habits, and religious beliefs of the host country.

## II. Management of Work of Sending Personnel To Study Abroad

1. The State Education Commission, working under the leadership of the State Council in accordance with the principles and policies of sending personnel to study abroad by the state, is in charge of the work of sending personnel to study abroad, and placement of personnel after their return home. Planning for sending personnel of noneducational departments to study abroad and their placement after their return shall be the joint responsibility of the State Scientific and Technological Commission and the State Economic Commission working in accordance with unified principles and policies.

2. Adhering to the principle of simplifying administrative procedures and delegating powers to lower-level units, the state will control only a portion of the personnel to be sent to study abroad and will allocate the rest to employing organizations. After conducting experiments at selected organizations, the organization that sends personnel to study abroad shall gradually take the responsibility of controlling funds earmarked for study abroad and maintaining spending within the authorized amount.

3. Units sending personnel to study abroad should appoint a specialized organization or specialized personnel to keep in touch with the personnel sent, guiding their study abroad and actively coordinating with and assisting Chinese embassies and consulates in administering the affairs concerning personnel studying abroad.

4. Successful administration of the affairs concerning personnel studying abroad is an important task of the Chinese embassies and consulates. The educational section (group) of the embassy or consulate dispatched by the

State Education Commission and the cadres appointed by the embassy or consulate to administer the affairs concerning personnel studying abroad shall work under the leadership of the embassy or consulate to handle the specific tasks in administering the affairs concerning these personnel during the period of their study abroad.

5. The educational section (group) of the embassy or consulate or cadres in charge of administering the affairs concerning personnel studying abroad as well as the departments and units sending the personnel abroad should show concern for the personnel sent, help them resolve difficulties or problems encountered, keep them informed of the country's developments and needs, and enthusiastically serve them. Embassies and consulates should carry out education in patriotism, collectivism, and socialist ideals and ethics among the personnel studying abroad and help strengthen their faith in revitalizing China through hard work.

6. "Student associations," "friendship associations," and other groups formed by personnel studying abroad are mass organizations through which personnel studying abroad will educate themselves, administer their own affairs, and provide services for the members.

7. Departments at home responsible for administering the affairs of personnel studying abroad and departments and units sending the personnel abroad should promptly make job arrangements for personnel returning from their study abroad to ensure that they can fully display their role.

### III. Selection of Personnel Studying Abroad on Government Programs

1. Personnel studying abroad on government programs refers to persons systematically, and through various means, sent abroad for study in accordance with the needs of China's development; they are funded, either wholly or partly, by the state or the relevant departments, localities, or units.

Persons who are selected nationwide uniformly according to state plans and who are sent abroad on funds falling under the category of uniform expenditures are called "personnel studying abroad on state programs" ("state program personnel" for short). Persons who are selected from a given locality or unit according to the plans of the department, locality, or unit and who are sent abroad on funds falling under the category of the department, locality, or unit expenditure (including those who have the approval and support of the units they work for, have received scholarships, loans, or financial aid, and are incorporated in the plan for personnel studying abroad) are called "personnel studying abroad on department, locality, or unit programs" ("unit program personnel" for short).

2. Personnel studying abroad on government programs can be divided into undergraduate students, graduate students, advanced studies personnel, and visiting scholars.

3. Normally, the period of study abroad for regular or professional undergraduates and graduate students shall be decided by the units sending them abroad in accordance with the academic system of the host country. The period of study for advanced studies personnel and visiting scholars shall normally range from 3 to 12 months, as dictated by the actual needs of the advanced studies and research; in extraordinary circumstances, it can last 18 months. In any case, the units sending the personnel abroad shall decide the length of stay in accordance with their own plans.

4. Units sending personnel abroad should help and guide the personnel in the selection of the institutions for study and for doing practical work or research. The selected institutions should have a fairly high academic standard or be strong in a given field.

5. Qualifications of personnel studying abroad on government program:

(1) Political Qualifications:

They must be personnel who ardently love the motherland and socialism; have good ideological and moral qualities; have distinguished themselves in practical work and study; and have actively served socialist modernization.

(2) Vocational qualifications:

Personnel studying abroad as undergraduates should be high school graduates with outstanding academic records. Personnel studying abroad as graduates should have graduated from college or higher educational institutions with outstanding academic records and should have work experience prior to their departure for abroad. The length of their practical work shall be decided in accordance with the characteristics of their discipline. Personnel going abroad for advanced studies or as visiting scholars should be backbone professional personnel engaged in teaching, research, or production, having graduated from colleges or higher educational institutions, and having worked in their special field at institutions of higher learning, research units, or industrial or mining enterprises for more than 5 years (the period may be appropriately shortened if the personnel are extremely outstanding or if the work requirements so dictate), or persons holding master's degree engaged in their special field of work or in vocational or technical educational work for more than 2 years. The age limit for advanced studies personnel and visiting scholars should be set according to the nature of their studies and research. Generally, their age should not be over 50. The age limit may be appropriately eased for visiting scholars at or above associate professor or research fellow level who go abroad for a short period (3 to 6 months).

(3) Foreign language requirements:

Personnel studying abroad should have a good command of the language of the host country. They should be able to read professional books and periodicals in the foreign language with relative ease; to comprehend, speak, and write the foreign language to a certain degree, and to carry out academic exchanges in

the foreign language after a short period of training. Personnel studying abroad as undergraduates or graduates should be able to receive lectures in the foreign language.

(4) Physical conditions:

The health of the personnel going abroad for study on government programs must conform with the health criteria for personnel studying abroad; health certificates (valid for 1 year) must be obtained from hospitals at the provincial and municipal levels.

6. Selection of personnel studying abroad on government programs:

(1) The State Education Commission shall decide on the number and category of the state program personnel and the proportion among various destination countries and various disciplines and shall arrange for their selection. The department, localities, or units sending personnel abroad to study shall decide on the number and category of the unit program personnel and the proportion among various destination countries and between various disciplines and shall arrange for their selection in accordance with the general guidelines of the State Education Commission and the actual needs of the units. Decisions and selections shall be filed with the State Education Commission for the Record through the responsible departments.

(2) Advanced studies personnel and visiting scholars studying abroad on government programs shall be selected through a process involving recommendation by the unit, evaluation by the academic organization or technological department, review (check) by the personnel department, and approval by the leadership.

(3) Personnel studying abroad as undergraduates or graduates on government programs shall be selected through a process combining examination and overall evaluation of the personnel' oral, intellectual, and physical standards.

7. Signing an "agreement on studying abroad":

(1) Prior to the formalities for going abroad, personnel on government programs shall sign an "agreement on studying abroad" sending unit and the personnel leaving for study abroad and publicly notarized.

(2) The contents of the "agreement on studying abroad" must specify the objectives, subjects, and length of required service at home after studying abroad; expenses to be provided to personnel studying abroad; and rights, obligations, and responsibilities of the sending unit and the personnel sent to study abroad.

8. Preparation and intensive training of personnel going to study abroad on government programs

Prior to the personnel departing for study abroad, the sending unit should adopt various forms of short-term intensive training programs to help the

personnel be prepared ideologically. The intensive training program should include: principles and policies of foreign affairs, regulations governing personnel studying abroad, foreign laws, introduction to conditions in the host countries, and other appropriate matters.

9. Regulations governing wages, seniority, and management of expenses incurred

(1) During the approved period of studying abroad of the personnel and visiting scholars, their wages will continue to be issued by the original units and their seniority will also be protected. For graduates sent abroad on doctorate programs, the period of their study abroad will be counted as equivalent in seniority at home after they obtain their degrees. As for those employed personnel who are sent abroad to study, their wages at home during their studying abroad will be handled in accordance with the regulations governing personnel who are in the same category.

(2) The expenses of personnel sent by the state to study abroad, such as clothing purchase fees, travel expenses, tuition and living expenses during their study abroad, and round-trip expenses for graduates and undergraduates to vacation at home during their studies, shall be handled according to the unified state regulations.

(3) The expenses of the personnel sent by units to study abroad, such as clothing purchase fees, travel expenses, tuition and living expenses for graduates and undergraduates during their studies, shall be handled according to stipulated regulations, and in accordance with the specific conditions of the sending units coupled with unified state regulations governing the sending department, locality, and unit.

10. Personnel sent to study abroad should study hard and return home to serve the country as planned. During or after their study abroad, the personnel, in general, must not change their student status. If there is a need for them to extend their stay, they should submit their application to the original sending unit for approval ahead of time. During their extended period of studying abroad, their wages at home should be issued by the original unit as before. As for those who, without official approval to not return home as scheduled, the extension will be held as leave without pay for the first year. After one year, whether their posts shall be reserved will depend on decisions of the sending units regarding the various conditions.

11. The State Education Commission will be in charge of expenses required to send personnel to study abroad by the state and provide guidance for regulating and managing expenses of studying abroad to the sending departments, localities, and units. The specific management of expenses of the personnel sent to study abroad by the state shall be taken care of by special officials of the education department (section) of an embassy or a consulate or shall be handled by the financial department of an embassy or consulate.

IV. Engaging in Post-doctorate Research or Practical Training Abroad:

1. The subjects on which post-doctorate research is done or training received should be able to facilitate development of China's science and technology.

2. Those who engage in post-doctorate research are in two categories: First is those with doctorate degrees who have been employed at home may apply to do post-doctorate research abroad; and the other is those graduates studying abroad who have obtained doctorate degrees may apply to do post-doctorate research immediately afterwards.

Receiving practical training abroad means that after obtaining their masters or doctorate degrees, the graduate students receive short-term training in a company or an enterprise without changing their student status.

3. Regulations governing examination and approval of those who are employed at home and apply to do post-doctorate research or receive such practical training abroad

(1) The applicant should submit a report of application to the employing unit explaining reasons, subject matters and time of the projected post-doctorate research or practical training.

(2) The employing unit should organize a group of experts and professors to examine the objectives of proposed post-doctorate research or the work scope of such practical training and give their opinions. After approval by responsible officials of the unit, the application should then be transmitted to the pertinent department of ministry or commission, province, autonomous region or municipality, depending on which administration it belongs, for examination of and approval for proceeding to formalities for going abroad.

(3) Expenses required for the post-doctorate research or practical training abroad should be covered by the sending unit.

(4) Those who are chosen for doing post-doctorate research or receiving practical training abroad will still be issued wages despite their absence at home.

4. Regulations governing examination of and approval for applications for doing post-doctorate research or receiving practical training abroad directly submitted by graduates just receiving degrees abroad

(1) Applicant should submit a report to the original sending unit and Chinese Embassy or consulate abroad ahead of time explaining reasons for, and subject matter and time of the projected post-doctorate research program and practical training.

(2) Within 3 months after receipt of the application, the sending unit at home should organize a group of experts and professors to examine and give their opinions on the proposal. After approval by the responsible official of the unit, the applicant will be notified of the results by the embassy or consulate abroad. If no reply is received from the sending unit after 3 months, the decision will be made by the Chinese Embassy or consulate abroad.

(3) After the applicant has made proper arrangements with and received a letter of appointment from the foreign institute where he/she will do the

post-doctorate work or receive practical training, he/she should personally inform the sending unit at home and the Chinese Embassy or consulate abroad of the objectives of the post-doctorate research or work scope of the practical training, where the post-doctorate program is to be conducted, and the time needed. If the research topic or practice work scope is different from that specified in the application, a new application should be submitted for examination and approval.

(4) All expenses required the post-doctorate research or training period and travelling expenses for returning home after completing the post-doctorate program will be borne by the applicant.

(5) Those who wish to be transferred to a third country for post-doctorate research or training after they have obtained their doctorate degrees abroad should submit their application for such purpose after having worked at home for a certain period of time. If one needs to be transferred to a third country from abroad due to some special reason, the application should be submitted 6 months in advance to the pertinent department of a ministry or commission, province, autonomous region, or municipality--depending on which administration it belongs to--for approval.

(6) The duration of a post-doctorate research or training program generally ranges from 1 to 1.5 years.

#### V. Home Leave for Personnel Studying Abroad and Spouse Visitation

1. Home leave for personnel studying abroad and visitation of their spouses abroad should be geared to helping the personnel understand the needs for and development of national construction projects, paying due attention to learning and living conditions of the personnel, and taking into consideration the working pattern of the units concerned at home.

2. As for those who are sent abroad on under graduate and doctorate programs with a specified time of more than 3 years, they will enjoy a paid home leave after 2 years studying abroad. (During this time, the graduates of doctorate programs should have obtained the Ph.D candidate qualification.)

3. A person who is qualified for paid home leave should apply to a Chinese Embassy or consulate abroad by him/herself according to certain regulations and return home via a designated route.

4. Applications for home leave paid by undergraduates and graduates studying abroad themselves can be submitted to a Chinese Embassy or consulate abroad for examination and approval on the condition that it will not affect their studies.

5. During the period of their paid or self-paid home leave vacations, the funds enjoyed by the state or sending units will be stopped. As for their living expenses at home, they will be arranged by the sending unit in accordance with unified state regulations concerning the matter, coupled with certification from a Chinese Embassy or consulate abroad.

6. The length of the home leave of the undergraduates and graduates studying abroad depends on the length of school vacations.

7. Since the time of studying abroad for the graduate students is relatively longer, the application of their spouses for visiting them abroad should be handled according to the "Regulations Governing Exist and Entry of Citizens of the People's Republic of China." If the spouse of the graduate sent to study abroad is currently employed, he/she should apply to the employing unit for visitation leave. With the approval of the employing unit, the visitation leave normally ranges from 3-6 months. Wages for the first 3 months will still be issued; the fourth to sixth months will be leave without pay; from the seventh month on, whether the post will be reserved depends on the decision of the employing unit.

If, during the visiting period, the spouse of the graduate student has obtained foreign scholarships or subsidiary funding and applies for studying abroad, she/he can report to her/his employing unit for approval during her/his visitation abroad, thus becoming a public- or self-funded student studying abroad through proper procedure.

8. If the spouse of a graduate student sent to study abroad on government programs is the graduating student or post-graduate student of an institution of higher learning in China still pursuing her/his studies, generally speaking, no leave for visiting relatives abroad will be approved in order not to interrupt her/his studies and research program.

9. Personnel sent to pursue advanced study abroad on government programs, and visiting scholars, according to regulations, are not entitled to home leave because the duration of their stay abroad is relatively short. Generally speaking, no leave for visiting relatives abroad will be granted to their spouses in China either, if the spouses are on-the-job employees.

## VI. Studying Abroad at One's Own Expense

1. We should support those who go abroad for study at their own expense as it is a way of training talented personnel for national construction. Politically, they should be treated the same, without discrimination, as those personnel studying abroad on government programs. We should show concern for them, take good care of them, and encourage them to complete their studies at an early date and then return home to dedicate themselves to socialist modernization of the motherland.

2. Personnel going abroad for studying at their own expense refers to those Chinese citizens who have reliable proofs that they can study or pursue advanced studies at foreign institutions of higher learning or scientific research institutions with financial support from their relatives and friends residing abroad or in Hong Kong, Macao, or Taiwan; or with the foreign exchange of their own or of their relatives and friends in China.

3. Those personnel who are not on the job; undergraduate of institutions of higher learning; returned overseas Chinese and their dependents; the

dependents in China of overseas Chinese; Hong Kong, Macao, and Taiwan compatriots; and Chinese of foreign nationality are eligible for application to study abroad at their own expense so long as they conform to the stipulations of article (2) and have obtained a foreign school's admission and the financial guarantee.

4. In order to ensure a smooth order of work at institutions of higher learning, scientific research institutions, and other units in China, their employees requesting to leave their posts and pursue study abroad at their own expense must obtain prior approval from their employing units.

Graduating students of the institutions of higher learning who have been included in the state assignment plan should accept the assignment and serve for the country.

Graduate students in China must endeavor to complete their studies and research program in accordance with the regulations governing their status as students. Generally, they are not allowed to interrupt their studies to go abroad for study at their own expense.

5. Application for studying abroad at their own expense by backbone specialized and technical personnel should be treated as cases of "state program personnel" as much as possible. They include assistant research fellows, lecturers, engineers, physicians-in-charge, personnel of higher positions, graduate students who have obtained their masters degrees, outstanding writers and artists, outstanding athletes, backbone office staff, and personnel having special skills or talents. During the period of study abroad, they shall be treated as "state program personnel" with regard to management abroad and wages at home.

6. Undergraduates of institutions of higher learning who have obtained approval to study abroad at their own expense may retain their status as a student for 1 year. On-the-job personnel who have obtained approval to study abroad at their own expense may retain their public office for 1 year, but their wages will be suspended, beginning in the month next to the month of their departure.

7. When on-the-job personnel return to work in China after having compelled their self-funded study abroad, their length of service prior to departure may be retained and calculated in addition to the work period after their return. For those who have obtained a doctorate degree and returned to work in China, the number of years they spent in working for their doctorate degree abroad and their length of service in China are calculated in the same way as that for the state program personnel."

8. Prior to departure of the personnel going abroad for study at their own expense, the units of these personnel and departments in charge of education of the ministries, commissions, provinces, autonomous regions, and municipalities concerned should brief them on regulations concerning study abroad and relevant situations at home and abroad, and guide them in making arrangements for study abroad.

(9) After those personnel going abroad for study at their own expense have arrived in foreign countries, they should report to and keep in touch with the Chinese embassies and consulates there. The Chinese embassies and consulates abroad, as well as the departments concerned at home, should also take the initiative to maintain contact with those who study abroad at their own expense, protect their legitimate interests and rights, encourage them to study hard, and show concern for their life and study abroad.

(10) The international traveling expenses for the return trip of those who have studied abroad at their own expense, have obtained a bachelor or higher degree, and are coming back to work in China shall be borne by the state or the employing units. The employing units shall provide their families at home with allowances according to their situations.

(11) Chinese students studying abroad at their own expense who are graduating from graduate schools or are completing regular or specialized undergraduate courses there may ask for a job assignment from the state by contracting Chinese embassies and consulates 6 months before their graduation to process the relevant registration, so that the State Education Commission may arrange their job assignment. They also may register with the State Education Commission after their return to China. In this case, their application will be processed in accordance with the regulations governing job assignment and wage standards for "state program personnel" under the same category.

Where previously promulgated regulations governing study abroad contravene these regulations, they are superseded by these regulations.

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MILITARY, PUBLIC SECURITY

MILITARY SOFTWARE PARTICIPATES IN COMMAND DECISIONS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 29 Dec 86 p 4

[Text] A "machine staff officer" of great knowledge and ability--which concentrates the basic theories of armed forces' positional and offensive campaign and the abundant experiences of experts in this respect, which can comprehensively analyze the enemy's situation, our situation, weather, and terrain, which makes scientific inferences and judgments, and which makes decisions and plans for various kinds of campaigns--has for the first time entered the "central military tent" of the campaign command of the group army of the Chinese armed forces.

A few days ago this "Campaign No 1" command decision system, which for the first time in China was an application of the "Yuan Expert System" to develop a military expert system, was authenticated by an authentication committee composed of experts and professors of the Chinese Academy of Sciences, the Academy of Military Science, the NDSFIC, and the Beijing Aeronautical Engineering College. The experts were of the opinion that this result, which was jointly developed by a certain group army of the Shenyang Military Region, the National Defense University, a research institute of the General Staff Department, and Beijing Aeronautical Engineering College, indicates that our army's software with military knowledge and ability has developed from the primitive stage of developing programs by manual methods to the stage of developing programs with instruments. Not only does it help to improve the level of scientific decisionmaking in campaign command, but also it opens a new path for armed forces automation.

It is reported that the knowledge base of this expert system not only stores the basic theories of our army's positional and offensive campaigns and a large amount of the rich experiences of military experts in China and abroad, but also has assimilated the results of the all-PLA forum on campaign theory held this summer. This system can simulate the entire thinking process of a campaign commander from undertaking the mission and assessing the situation to making command decisions, and provide timely advice to the commander. It can automatically draw up the campaign decision plans for him to choose from. Attached to it is a "explanation system," which is responsible for providing explanations of the inferences and conclusions. This system is applicable to campaign training and operations.

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CSO: 4005/395

MILITARY, PUBLIC SECURITY

CIVILIAN GOODS PRODUCTION SERVICES IN 1986

National Military Supply Enterprises

Beijing JINGJI RIBAO in Chinese 8 Jan 87 p 2

[Article by Xi Xiaole [1598 1420 2867]: "Civilian Products of Military Supply Enterprises Put on Market"]

[Text] Fairly good achievements have been made by the production of the Military Supplies Department of the PLA General Logistics Department in subordinating itself to the overall situation in state economic construction, aiming at markets and vigorously developing civilian goods.

According to statistics, last year its output value of civilian goods was 920 million yuan, accounting for 42 percent of the total output of the year before the last. With 30 percent of the staff and workers of the enterprise-type factories in the PLA, they produced 40 percent of the output value of civilian goods. Many factories have contracted for the tasks of producing civilian goods for foreign trade. It is estimated that this output value could reach 80 million yuan, 30 percent more than that of the previous year.

The successful experience of military supplies production enterprises in developing civilian goods and putting them on the market fairly quickly are: First, they displayed the superior points of military supply products by putting "hot-selling" goods on the market. Second, they got a tight grip on market information and then vigorously developed new products of the same or similar technology that were suitable for selling and that met needs. Third, through markets they opened up markets, and with many forms, such as marketing exhibitions, they improved the degree of recognition and the rate of market ownership of the products. Fourth, they insured product quality, and with "genuine goods at a fair price, authenticity, and dependability" won the confidence of the market. Fifth, they vigorously carried out horizontal alliances with local enterprises to increase their "coloring" competitive strength on the market. Sixth, making full use of the superior points of some enterprises located in coastal cities, they vigorously developed the new field of production for foreign trade and the opening up international markets.

**Beijing Military Factories**

**Beijing JINGJI RIBAO in Chinese 8 Jan 87 p 2**

[Article by Wang Qingjie [3769 3237 2638]: "Working for Big Results in Civilian Goods Production"]

[Text] The enterprises under the Factory Management Bureau of the Beijing Units are vigorously developing the production of civilian goods. In 1986, they made a total profit of 16.5 million yuan, 17 times that of 1977 and a growth rate that was the highest in the PLA.

The scale of this bureau's enterprise is fairly small. Adopting the production administration policy of "many sources, many varieties, and small batches," they actively sought production tasks. They actively undertook tasks that had not been done in the past but that they could take into their hands. Factory 7312 is an ordnance repair factory. It has undertaken the task of producing oil-extraction derricks for the Shengli Oilfield. It has also produced for overseas markets more than 10 of the state's double-edged swords. Factory 3608 has produced "large canopied stands," which are deeply welcomed by border defense units and vegetable growers.

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CZ-3 CHIEF DESIGNER INTERVIEWED

Beijing JINGJI RIBAO in Chinese 31 Oct 86 p 2

[Article by staff reporter Ceng Xinmin [2582 2450 3046] and news trainee Wang Baoqing [3769 1405 3237]: "He Speaks With Pride to the World; Interview with Xie Guangxuan, Chief Designer of the 'Chang Zheng-3' Rocket"]

[Text] One afternoon before National Day, we went to the office of Comrade Xie Guangxuan [6200 0342 6693], the chief designer of the "Chang Zheng-3"--CZ-3--rocket. Grey-haired Comrade Xie Guangxuan pushed aside the calculator in front of him, stood up, and vigorously shook hands with us. "Doesn't your newspaper discuss quality? Then we'll begin by talking about the quality of the rockets we put up...." He candidly began a conversation with us.

Chance and Necessity

"The most important problem for a carrier rocket is the problem of insuring quality. This is decided by the risk coefficient in the economic benefits of a rocket launch." Comrade Xie Guangxuan said that the cost of manufacturing a large rocket was several tens of million dollars. When the special-purpose equipment of a carrier satellite is added, the value must be calculated in the hundreds of millions of dollars. When the launch is successful, the benefits are 100 percent; if the launch is a failure, the benefits are zero. The manufacture of a rocket not only is the comprehensive expression of science and technology, but is also the concentrated expression of the quality of production technology. Pointing to a photograph of a technical authentication, he said: "When a rocket design is put into production, it goes through countless work processes. There are several tens of thousands of welding points alone, and if one welding point is not firm, it could cause an accident. The tragedy of the U.S. space shuttle 'Challenger' in the early part of this year was caused by the poor quality of its rubber sealing gaskets. The problem of the quality of a part can lead to a problem of the quality of the whole. It is now extremely important for the entire industrial system to stress product quality. In particular, leaders at all levels must establish the consciousness of quality."

"The reasons for accidents connected with quality are both chance and certainty. An analysis of the reasons for the failure of a rocket launch shows that in general they are of three types: One type is that the parts that are produced or manufactured, as well as the materials, do not conform to the technical demands. This type is avoidable, and the poor quality of products is a matter of chance. The other type is the problem of product

combination, that is, from a look at a single technical index these parts are up to standard, but when combined they do not work well. This problem can be solved by technical debugging. The third type is the problem of the theory of design and the frontier of technology. This kind of problem appears frequently with regard to the products of sophisticated sciences and technologies, and it is unavoidable. From a look at rocket production and experiments, most of the first two types of chance accidents related to quality occur in the middle or last period of batch production; the last type of certain accidents related to technical quality is produced in the early period of experimentation. Chance accidents related to quality are mainly caused by poor quality management and inadequate cooperation between departments. Therefore, we must strengthen quality management, and make full use of modernized means of testing quality to insure that all chance accidents related to quality are stopped. The products of modern science and technology are becoming more widely condensed, and one man cannot become proficient in every kind of advanced specialized skill. Decision making must therefore be democratic. During scientific research and production, there must be the necessary coordination meetings to insure that when integrating all the work processes the problem of quality does not arise.

"In rocket development our country pays special attention to insuring quality. Thus, compared to other countries, our success rate in rocket launches is comparatively high. That we were able to enter the international market of satellite launches was because we possessed superiority in quality."

#### Receiving the "Entrance Gate Pass" to the Space Kingdom

Xie Guangxuan is now the chief designer of the "CZ-3" carrier rocket. The three-stage liquid-propellant rocket he designed uses a low-temperature, high-energy propulsive force, which can put a 4.5-ton vehicle into near-earth orbit. After ignition, it can send a 1.4-ton effective load into an earth transfer orbit or a place nearer than 35,000 km away. Because the CZ-series rocket has many times fulfilled satellite launch missions with outstanding success, it has twice received the state's top-grade award for these results. He said that the successes of our rocket launcher and artificial earth satellite launcher have caused our country to become one of the small number of countries that have mastered space technology. "In spaceflight theory and technology, the gap between us and these foreign countries is not big, and in some aspects we are in the lead. That our country can receive orders and provide insurance at 10 and 15 percent below the international market price is because of the fairly high success rate of our country's rocket launches. Our economic results are high. During development, \$1 does not equal 2 renminbi, but rather 1 renminbi equals \$2. In our rocket launches, there have also been errors, but we have not made stupid errors of an important nature. This is something about which China can be proud." In conclusion, he said that China's scientists are not satisfied with the successes they have already obtained; our struggle and goal is to enter the technological domain of outer space and make breakthroughs, getting new "entrance gate passes" for the great motherland to enter the space kingdom.

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MILITARY, PUBLIC SECURITY

BEIJING GROUP ARMY FERTILIZER PLANT SERVES PUBLIC

Beijing JINGJI RIBAO in Chinese 31 Oct 86 p 2

[Article by Zhang Rongchun [1726 2837 2504] and Lin Wenkui [5677 2429 7608]: "Top-Grade Product, Not Size, Makes Plant Well-Known"]

[Text] The phosphate fertilizer provided by the phosphate fertilizer plant of a certain group army of the Beijing Military Region sells well in nine provinces of China. From January to September this year, it sold more than 8,000 tons of phosphate fertilizer, netting a profit of a little over 200,000 yuan.

How is it that this small plant, with only 3 cadres and 17 fighters, can do such brisk business? Their main experience is to depend on the high quality of the product and to depend on a good service attitude. To insure product quality, during the production process they make strict checks on raw materials, processing, and matching comparisons, so that the phosphate fertilizer produced by this plant has always been a top-grade product in provinces, prefectures, and cities. and is deeply welcomed by the great number of consumers. Some members of the masses would rather run about seeking far and wide for what lies close at hand, and they also go to the plant to make purchases. They say: "The unit's production does not cheat or fool people, and we trust it the most!"

For the convenience of peasants they "open their doors early, close their doors late, and keep the doors open at noon. At midnight they will open their doors. Thus, whenever consumers come they can buy the phosphate fertilizer." Some of the masses for a time cannot come up with ready cash, but they can buy on credit, first getting the phosphate fertilizer and later paying the money. Some consumers are fairly far from the plant, and they can neither get to the plant by train nor hire a tractor or truck to get there. For them the plant delivers the fertilizer by truck to their door. Peasants there say: "The quality of the phosphate fertilizer you produce is good and your service attitude is good. In everything you think of us common people. Next time we'll do business with you!"

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HUNAN, ZHEJIANG CADRES RESETTLED IN LOCALES

6,900 Hunan Cadres Resettled

Changsha HUNAN RIBAO in Chinese 4 Jan 87 p 4

[Article by Chen Zuyu [7115 4371 3768] and Chen Fangmin [7115 2397 3046]: "In Our Province, One After Another, 8,900 Armed Forces Cadres Reported for Work After Being Transferred to Civilian Employment"]

[Text] In accordance with the plan of the national placement work conference, in 1986 our province received 8,900 armed forces cadres who had been transferred to civilian employment, and after the work of assigning posts and places was completed in November they began to report for work.

After last year's provincial placement work conference, the principal leading commander of all prefectures, autonomous prefectures, and cities set forth specific demands for doing placement work well. In the cities and prefectures of Changde, Changsha, Yiyang, and Zhuzhou, the placement task was large. Personnel departments closely coordinated, leading commanders personally took up the work, and the assignment of posts and places went fairly smoothly.

The characteristics of our province's placement of cadres transferred to civilian employment is that it proceeded from reality and vigorously promoted a reform in placement work. Proceeding from the needs of economic construction, all areas in the province mobilized some transferred cadres to replenish basic-level units as well as "old, few, marginal, and poor" areas. Last year more than 600 transferred cadres were assigned work in local police stations and courts in townships and towns. All prefectures, autonomous prefectures, and cities combined directed assignments and guided assignments, and permitted the employing units to select cadres who satisfied their needs. In placement, appropriate consideration was given to models who had rendered outstanding service, to flying and submarine personnel, as well as to cadres who had worked on border defense or islands for a long time. In the province 18 persons who had been cited for meritorious services, first class, and 168 persons who had been cited for meritorious services, second class, were assigned to appropriate places and units.

With regard to the problem of the jobs of the wives who accompany the transferred cadres, the schooling of their children, as well as housing, all

prefectures and cities have taken positive measures to make appropriate arrangements. The transferred cadres are now in the process of moving and reporting for work.

#### 6,000 in Zhejiang Assume Positions

Hangzhou ZHEJIANG RIBAO in Chinese 9 Jan 87 p 1

[Article by Zheng Jindao [6774 6855 6670]: "More Than 6,000 Cadres Transferred to Civilian Employment Go to Their Respective Posts"]

[Text] The great majority of a little over 6,200 armed forces cadres who had been transferred to civilian employment and had come to our province for placement have come to the localities and reported for work. Party committees and governments at all levels in the province have made doing this work well a practical action in support of armed forces construction and reform. During the placement work, they have insisted on proceeding from what is beneficial for local construction and military unit building, have valued talents and made rational use of them, and have also insured key points to satisfy the needs of systems and departments for urgently needed cadres. A total of 1,256 transferred cadres have been assigned to 4 systems--industrial and commercial, taxing, banking, and insurance companies--thereby strengthening the cadre forces in these systems. In the placements, they gave proper consideration in the direction and work unit arrangements to comrades who had been cited for distinguished service in action, who had disabled in action, who had worked for a long time in border defense or on islands, and who had engaged in flying and submarine work for a long time. They accomplished three satisfactions: armed forces organizations, receiving units, and the great majority of the cadres transferred to civilian employment.

To make the armed forces cadres transferred to civilian employment meet the needs of local work as fast as possible, the relevant departments of the province and all prefectures and cities in the province, in accordance with the principles of "first train and then take up posts" and "learn what one will do, and make up for what one lacks," beginning in the middle of February, have given specialized training to transferred cadres with a term of about 5 months.

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MILITARY, PUBLIC SECURITY

KUNMING UNITS SUPPORT LOCAL DREDGING WORK

Kunming YUNNAN RIBAO in Chinese 17 Jan 87 p 1

[Article by Zhang Tianbin [1728 1131 2430]: "Units Stationed in Kunming Complete With High Quality the Task of Dredging the Panlong River"]

[Text] By 13 January the units of the PLA and the People's Armed Police had sent out more than 39,000 person-times and more than 10,000 vehicle-times in support of Dunming City's dredging project on the Panlong River, completing their tasks on the project with insured quality and quantity.

During this Panlong River dredging project, the big units of the PLA stationed in Kunming and the People's Armed Police stationed in Kunming undertook 65.5 percent of the total project, most of which were the difficult sectors. Facing this arduous task, the leading cadres of all units took the lead in working without letup day and night. After a certain group army received the task of dredging the Panlong River, it specially organized a command leading group and made full preparations in manpower and material resources. After work began, Chen Peizhang [7115 1014 1813], deputy political commissar, and other leaders, side by side with the cadres and fighters, took up picks and hoes, carried mud and moved earth. In only 5 days' time, they removed more than 7,000 cubic meters of silt, thus prefulfilling their task. In the Yunnan Provincial Military District, the Air Force units stationed in Yunnan, and the units in Kunming of a certain PLA unit and artillery unit, under the extremely arduous circuitances of the tasks given to organizations and units, leading cadres at all levels persisted together with the officers and men, removed silt and rubbish, moved stones and earth, and prefulfilled with insured quality and quantity the project tasks they had undertaken, not fearing hard work and being meticulous in construction, overfulfilling 5 days ahead of schedule to high standards their tasks. The relevant departments of the people's governments in Kunming City and Wuhua District, when inspecting and checking, praised their dredging sector as a "model exceeding standards and high quality."

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MILITARY, PUBLIC SECURITY

BRIEFS

KUNMING GROUP ARMY MEETING--The sixth conference of party delegates of a certain PLA group army ended in Kunming on 4 January. At the 5-day conference, the delegates conscientiously studied the spirit of the 6th Plenum of the 11th CPC Committee, and transmitted and studied the spirit of the recently held enlarged session of the Military Commission of the CPC Central Committee. Representing the previous party committee of this group army, Comrade Xun Youming [5424 0645 2499] made a work report. Comrade Meng Jinxi [5536 6651 0823] made a report entitled "On the 5-Year Plan for Building the Units of the Group Army." Representing the previous discipline inspection commission, Comrade Chen Peizhang [7115 1014 1813] made a report on the commission's work. Comrade Ceng Yucai [2582 5940 2088] made a report entitled "On the Decision To Strengthen Basic-Level Building." Liu Changyou [0491 2940 0645], Zhu Qi [4281 0796], Ma Zilong [7456 1311 7893], and Chen Gongsheng [7115 0501 39332] separately chaired the conference. Attending the conference was Pu Chaozhu [2528 2600 2691], secretary of the Yunnan Provincial CPC Committee; He Zhiqiang [0735 1807 1730], governor of Yunnan Province; Wang Xintian [3764 0207 3944], secretary of the Kunming City CPC Committee; Pan Yingsheng [3382 5391 5110], secretary of the Kunming City CPC Committee; as well as some veteran comrades who had once done leadership work in this group army. [Excerpt] [By Yuan Yuliang [5913 3768 5328] and He Benlang [0149 2609 2490]] [Kunming YUNNAN RIBAO in Chinese 5 Jan 87 p 1] 9727

ADVANCED ZHEJIANG BACKBONE MILITIA--More than 22,700 families of young militiamen spread over our province's town and country have adopted various lively forms in launching the "five love's" propaganda and educational activities--love the motherland, love the people, love labor, love science, and love socialism--making them into important positions for building socialist spiritual civilization. Several tens of thousands of teenagers, particularly young militiamen, through the "family" activities have played a backbone role in the building of the two civilizations. Last year, more than 31,000 militiamen in the province were assessed as advanced individuals at all levels. [Excerpt] [Hangzhou ZHEZIANG RIBAO in Chinese 9 Jan 87 p 1] 9727

CONSTANT-VOLTAGE TRANSFORMER PRODUCTION--On 3 September, Factory 524 of the Ministry of Ordnance Industry and the Feiyue Electronic Parts Plant of the Duoling Company have formed a complex that operates in producing and doing business in constant-voltage transformers. Some constant-voltage transformers were test-produced by Factory 524. After the production design was finalized, within the next 5 years, in accordance with the mode of setting fixed quotas by output for marketing, the factory produced for the complex 200,000 constant-voltage transformers, with an output value of 150 million yuan. [By Yang Zhifen [2799 5347 5358]] [Text] [Beijing JINGJI RIBAO in Chinese 31 Oct 86 p 2] 9727

**EFFECTS OF OPPOSITION TO BOURGEOIS LIBERALIZATION DISCUSSED**

Guangzhou NANFANG RIBAO in Chinese 8 Jun 87 p 4

[Article by Mao Xinjian [6984 2450 1696]: "Correctly Understand the Relationship Between Reform and Opening Up on the One Hand and Bourgeois Liberalization on the Other Hand"]

[Excerpts] Can opposition to bourgeois liberalization change or obstruct the policy of reform and opening up to the outside world? This is a question that many people are now concerned about. The recent directive of the CPC Central Committee about directing penetrating and intensified propaganda toward the public as part of our struggle against bourgeois liberalization, incisively clarifies the relationship of a dialectical union of firmly upholding the four cardinal principles on the one hand and reform and opening up on the other hand. Conscientious study of these important statements as well as of the series of statements by the CPC Central Committee, and particularly those by Comrade Deng Xiaoping, issued since the 3d Plenum of the 11th CPC Central Committee, concerning the need to firmly uphold the four cardinal principles and to persist in reform and opening up, is of important practical significance for the correct overall understanding of the party's political line since the 3d Plenum of the 11th CPC Central Committee and for clearing up misunderstandings in the minds of some people.

Carrying out reform and opening up to the outside world are China's long-term fundamental policies. They are the road that we must travel in our construction of socialism with Chinese characteristics. They are policies that will not, and certainly cannot, be changed by our opposition to bourgeois liberalization. Many statements by the CPC Central Committee and by Comrade Deng Xiaoping are evidence to this fact. In his article "Reform of the System of Party and State Leadership," Comrade Deng Xiaoping pointed out as early as 1980: "There are still many shortcomings in the leadership systems of party and state that obstruct, and even seriously obstruct, the superiority of socialism becoming truly effective." (See "Uphold the Four Cardinal Principles; Oppose Bourgeois Liberalization") In this important article, Comrade Deng Xiaoping concretely analyzes some specific shortcomings that have prevailed for a long time in the organizational system and institutions of China's production relations and superstructure, and he repeatedly emphasizes: "In order to develop our productive forces, it is imperative that we reform our economic system." He incisively points out: Any further delay in our reform will ruin our modernization projects and our socialist undertaking.

The reform that we are carrying out is a self-improvement and self-development of the socialist system; it requires upholding the socialist orientation at all times and upholding the four cardinal principles. These are prerequisites for the effectiveness of reform and opening up. In his speech at the Spring Festival group felicitation meeting, Comrade Zhao Ziyang pointed out that the CPC Central Committee regards two components as the fundamental points in its political line since the 3d Plenum of the 11th CPC Central Committee: one is upholding the four cardinal principles, and one is reform, opening up to the outside world, and invigorating the domestic economy. Both components are linked with each other, and neither can be dispensed with. Without the four cardinal principles, our reform, opening up, and invigorating the economy would lose their orientation and their guarantee of accomplishment. Without reform, opening up, and invigoration, the social productive forces could not be rapidly developed, and constructing socialism with Chinese characteristics would be out of the question. We are currently faced with two situations: there is the question whether to uphold reform and persist in opening up, and again the question of what direction to take in our reform and opening up, and what road to follow. People who go in for bourgeois liberalization also talk glibly of "reform" and "opening up," and moreover masquerade as the most ardent supporters of reform and opening up, but the "reform" and "opening up" that they propose is nothing else but importing such Western stuff into China as the multiparty system, separation of the three powers, etc., in order to change China's socialist system. In their way they actually go against the fundamental tenets of our reform and opening up, place themselves in opposition to reform and opening up, and become an interference and obstruction to reform and opening up. Our actions of fighting bourgeois liberalization, engaging in analysis, criticism, and correction of political orientations that erroneously negate the four cardinal principles, as well as our drawing a clear distinction between the major issues of principle, will not only not obstruct the current reform and opening up, but will further raise people's awareness and eliminate various obstacles on the road to reform and opening up, as they will also guarantee smooth progress in reform and opening up.

Reform and opening up are transformations of broad and deep-going dimensions; they are bound to promote development of social productive forces and improvements in the livelihood of the people. But we must also realize that reform will after all also change existing interest structures and distribution relations and is bound to affect certain vested interests of some people. This is especially true under current conditions when we are in the initial stage of our reform, and when two systems, two sets of prices, and two managerial systems exist simultaneously. Under these conditions, many difficulties are bound to appear, particularly also many errors are bound to be committed. At the same time, we must also realize that our reform takes place in an extremely complex international environment, when it cannot be avoided that the broadening of our opening up to the outside world will allow foreign bourgeois ideologies to infiltrate and exercise influence. Because of all this, we face an extremely complex and arduous task in our reform and opening up. It is necessary, in particular for these reasons, to emphasize liberation of our ways of thinking and the need to courageously explore new ways during our reform and opening up. It is erroneous to blame the reform

for problems that have arisen in our economic development, to say that developing commodity economy is "practicing capitalism," and to even regard reform and opening up as sources of bourgeois liberalization. Reform and opening up are policies that will be upheld for a long time to come, and the fight against bourgeois liberalization will also be carried out over a long period of time, when it will permeate the entire process of reform and opening up. The increasing spread of the ideological trend of bourgeois liberalization in the last few years was not accidental, but had its deep socio-historical roots. In so large a country as China with a population of 1 billion people, when economic development, per capita consumption levels, as well as science and cultural affairs have not yet attained the level of a medium-ranking developed capitalist country, the question whether socialism or capitalism is better will always remain in the minds of some people, at times hidden at times overt, one moment hidden one moment showing openly. Abandoning the four cardinal principles would, therefore, of course be tantamount to lapsing into bourgeois liberalization; abstaining from reform would also foster bourgeois liberalization. Without reform, the productive forces could not be quickly developed, the superiority of socialism could not become fully effective, and socialism would have little attractiveness; would that not really give a powerful assist to the trend toward bourgeois liberalization? We must, therefore, on the one hand uphold the four cardinal principles, and on the other hand persist in reform, opening up to the outside world, and in invigorating our domestic economy. Only by combining these two fundamental components in a dialectical union can we consolidate our political stability and unity, promote economic prosperity and vigor, and build socialism with Chinese characteristics.

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**LI RUIHUAN SPEAKS AT THEORETICAL RESEARCH MEETING**

SK271152 Tianjin TIANJIN RIBAO in Chinese 12 Jun 87 pp 1-2

[Excerpts] The municipal party committee and the municipal People's Government held a meeting of investigation and study work from 9 to 11 June. The meeting analyzed the new situation in the studies concerning theories and policies, further organized the theoretical contingents, relayed the major and important theoretical subjects cared about by the municipal party committee and the municipal People's Government, and held discussions on the issue of how to upgrade the theoretical research that serves the leading policy decisions to a new standard. At the meeting, more than 300 participants held full discussions and exchanged their experience in line with the work concerning investigation and study.

On the morning of 11 June, Li Ruihuan, deputy secretary of the municipal party committee and mayor of the municipality, and other leading comrades held a discussion with the participants on the issue of how to upgrade theoretical research to a new standard. During the discussion, Li Ruihuan held direct talks with the participants and elaborated the heavy social responsibility of theoretical works while answering their questions and the major and important problems with which the municipal party committee and the municipal People's Government urgently want to deal. The participants spoke their mind freely and put forward many favorable opinions and suggestions. The discussion was lively, full of questions and answers, and full of the atmosphere of democracy and harmony. Wu Zhen and Tan Shaowen, deputy secretaries of the municipal party committee, also delivered speeches during the discussion.

In his speech Li Ruihuan stated: We should fully discern the necessity and importance of investigation and study. At present, we must fully acknowledge the major orientation of the transformation drive. In particular, we must fully acknowledge and publicize the marked achievements scored in the drive by the vast number of people through their all-out efforts so as to consolidate or develop the excellent situation. Leading cadres and the theoretical institutes should be based or concentrate on studying the problems cropping up in the practice of conducting reforms. What is the future of conducting reforms in China? In answering the question, I am convinced that we will certainly pave a road of success as long as we can correctly follow the major direction, firmly grasp the target of bringing the masses' enthusiasm into play and promoting the development of productive forces, and can gradually improve the target. This urges us to organize the theoretical workers to

carry out investigation and study over the actual problems, to sum up these problems, and to have the experience gained from these problems direct the practice. We will be unable to unify the people's thinking without paying attention to theoretical questions and engaging in research. Without a correct theory, it is impossible for the tens of million people to take unified action. It is very difficult for us to deepen the drive to conduct reforms and to open to the outside world without theoretically giving correct explanation and direction to the new thing and problem cropping up in the drive in order to provide basis for the personnel in charge of transformation work. In the great drive to conduct reforms, theoretical workers should encourage and support the tens of million people in the field of theory. We should boldly face up to and earnestly study the large number of problems cropping up in the drive and should refrain from dodging them.

In his speech Li Ruihuan pointed out: The key to whether we succeed in investigation and study lies in whether we can uphold the viewpoint of putting practice first. In engaging in research, it is imperative to uphold the Marxist theory of knowledge and the principle of seeking truth from facts and putting practice first. If we fail to do so during the current age, in which tremendous changes have taken place, we will have no hope in research work. We should uphold the basic stand, viewpoint, and method of Marxism and refrain from rigidly adhering to certain specific conclusions. There is no doubt that we should attach importance to the document; however, we should attach even more importance to practice. When the documents encounter contradictions during practice, we should not revise our practice by following the documents. On the contrary, we should revise the documents in line with the experience gained in practice. If we discover the speech made by the leading personnel unsuitable to reality, we should proceed in our work from the actual situation. When we discover our practice is not in unison with the experience of foreign countries, we should proceed in our practice from the conditions of our country. Social practice is the sole criterion in testing the truth. We should achieve in refraining from only following the books and the instruction given by the higher-level organs and personnel and in adhering to the reality. Whether our policy and measure are correct can be only decided by whether the result scored in our policy and measure have brought into play the enthusiasm of staff members, workers, and the people; have enabled social productive forces to achieve development; have had the state increase its incomes; and have had the people improve their livelihood.

In his speech Li Ruihuan stressed: Leading cadres at all levels should read some books and should foster the habit of reading books and carrying out investigation and study. Leaders should become researchers of social science. Only by having leading personnel attach importance to investigation and study and particularly to engaging in social science research can the work of social science have a bright future; otherwise, the research designed to serve production and construction will become in vain. Although leading cadres are very busy, and they should also concentrate a little time on reading books because studying means research work. Otherwise, they will become persons busily bogged down in routine matters. Reading or not reading books is not a matter of personal hobby and interest; fundamentally speaking, they are a

matter of the sense of revolutionary responsibility. We must exert the greatest courage and will to deal with the most important problem in which the theoretical work is lagged behind by practice that is lacking the guidance of theories.

The meeting held that since 1983, when the municipal party committee organized the research forces of various circles to carry out investigation and study over various specific problems, the municipality has achieved great development in the work of conducting investigation and study. It has paved a new road in this regard, gained some favorable experiences, built up a certain-scale research force, formulated a large number of policy decisions with a higher standard, and has provided very valuable policies and base for dealing with problems.

The meeting held that although the municipality has scored good achievements and summed up some experiences in the work of conducting investigation and study, it still has many problems in this regard and its work in this regard still cannot meet the demand imposed by the development of the situation. We must upgrade the work of conducting investigation and study throughout the municipality to a new stage and research results to a new standard and must gradually socialize the research of countermeasures and engage in the research of them in a scientific and systematic way. To this end, we should organize more search forces in various circles to concentrate on the research of countermeasures. We should uphold a scientific and objective character in research work and make a breakthrough in the key items which are important matters concerning policies, leading role, and application. Efforts should be made to organize research institutes of various circles into a research association opening to the outside world and on the premise of upholding the four cardinal principles and to continuously create a comfortable and harmonious climate for theoretical research.

The meeting stressed that in order to upgrade the standard of the work of conducting investigation and study, it is imperative to build up step by step and in a planned manner a new contingent in charge of the research of countermeasures. First, we should turn the research offices under the municipal party committee into brain-trust organs worthy of the name and enable them to play a leading role among the networks of contingents in charge of research of economic, social, and technical development. Second, we should actively create conditions for comrades in the theoretical and teaching departments to frequently go to abundant social practice to investigate and study new problems and should enable comrades among the departments in charge of practical work to continuously engage in theoretical study and improve their quality in this study. Third, we should make great efforts to deal with the problems cropping up in the quality and structure of research personnel. Fourth, we should probe problems boldly and continuously sum up the experience gained in our work.

Attending the meeting were leading comrades from municipal-level organs, including Yang Jingheng, Wang Xudong, Ji Zhenghui, Zhang Dinghua, Yang Huijie, Shi Jian, Liu Jinfeng, Lu Xuezheng, Li Changxing, Mao Changwu, Xiao Yuan, and Huang Yanzhi.

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NORTH REGION

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**TIANJIN UNIVERSITY STRENGTHENS DISCIPLINE**

OW300753 Beijing XINHUA Domestic Service in Chinese 2314 GMT 28 Jun 87

[By reporter Yu Xiqui]

]Excerpts] Tianjin, 29 Jun (XINHUA)--In doing ideological and political work among its students, Tianjin University has tried to strengthen their school spirit and discipline while promoting healthy democratic life. While keeping democratic channels open, the university has also adopted resolute measures to promote healthy tendencies, check unhealthy ones, and strictly enforce school discipline.

In the past year, Tianjin University has strengthened democratic life on the campus in five ways: 1) a dialogue between the university leadership and students has been institutionalized; 2) the secretary of the university party committee and the president and other leading cadres of the university often go to classrooms, dormitories, or other places to hold heart-to-heart talks with students to exchange views with them; 3) meetings of student cadres and representatives are held to report on the plans for the reform of teaching and the work among the students and to solicit their opinions on such plans; 4) leading cadres of the university promptly handle students' reasonable demands or opinions; and 5) a system of contact between middle-ranking cadres and various classes has been instituted in order to understand students' opinions or what is on their minds.

In strengthening its students' school spirit and discipline, Tianjin University has also paid attention to formulating regulations in order to consolidate its achievements. Of late, the university has held contests in the basic knowledge of Marxism-Leninism and the knowledge of the law as well as an oratorical contest with the title "The Motherland Is in My Heart." At the same time, the regulation on public order in the university have also been formulated. Now students at the university have noticeably strengthened their school spirit and improved their style of study, and public order is good at the university.

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HONG KONG, MACAO

PRC MEMBERS ON CONTACT WITH OVERSEAS CHINESE

HK250908 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 24 Jun 87

[Text] This morning, some participants in the Sixth Session of the Fifth Provincial CPPCC Committee held a seminar on ways to further promote ties of friendship with Hong Kong and Macao compatriots and Overseas Chinese.

In their speeches at the seminar, Tou Hoi-jiu, vice president of the Macao Chamber of Commerce, (Tao Qingying), former director of the provincial office for Overseas Chinese affairs, (Li Chong), adviser to the Hong Kong branch of the XINHUA News Agency, and (Lin Donghai), vice chairman of the Guangdong branch of the Taiwan democratic self-government league, said: Hong Kong and Macao compatriots and Overseas Chinese number about 60 million. They are our important forces for promoting the four modernizations and the reunification of the motherland. In conducting work concerning Hong Kong and Macao compatriots and Overseas Chinese, we must have our feet firmly planted in the interior of China and give first place to promoting work within China. Our most important task is to successfully implement the policy on Overseas Chinese affairs and various policies aimed at promoting the United Front.

The participating provincial CPPCC Committee members said: The work concerning Hong Kong and Macao compatriots and Overseas Chinese means the work of making friends. Therefore, we must pay attention to promoting the work of calling on Hong Kong and Macao compatriots and Overseas Chinese and inviting to visit China, and strengthen contacts with them. Our CPPCC Committee members have wide overseas connections. This is a strong point. We should give full play to the roles played by CPPCC Committee members and members of all our democratic parties, let all the people carry out the work of establishing contacts with Hong Kong and Macao compatriots and Overseas Chinese, and jointly open up new prospects for the work of promoting overseas ties of friendship and advancing the United Front.

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September 4, 1987